



# Hungarian Politics

in 2014



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# Introduction

Policy Solutions has a long history of providing international audiences with meticulous analyses of Hungarian political life. Now, for the first time we present, in collaboration with the Friedrich Ebert Foundation, an annual review of Hungarian politics. This is a comprehensive overview of recent developments, events and trends in Hungary in 2014. Readers may also use this review as a source of insight into specific areas of interest.

The target audience of this publication is students and academics, journalists, diplomats or international organisations. In other words, anyone who has an interest in the political, economic and social landscape of Hungary in 2014, be it a detailed analysis of elections results, major policy changes or recent developments concerning democracy. It is important to stress that our review is not chronological and does not claim to be exhaustive in its scope, rather it reflects our selection of the major developments over the past twelve months.

In particular, we focus on four broad areas, presenting distinct developments in each. In the first section we review the three nationally held elections in 2014: the parliamentary election in April, the EP election in May and the municipal elections in October. In the second section we look at the party system as it has evolved, focusing especially on the opposition parties, their state and prospects. The third section focuses on foreign relations, in particular the Orbán government's efforts to deepen the country's ties with eastern powers including Russia, and the impact of this policy on relations with its western partners. Finally, we take a detailed look at how Fidesz's policies have shaped the economy and society in Hungary, and discuss its relations with civil society and the media. All of the sections conclude with a brief analysis of the issues which may come to the fore in 2015.



1

**Three elections,  
one winner**



# 1.1 | Fidesz returned with another landslide victory

The governing party Fidesz emerged as the clear winners of the 2014 general election. The opposition left-wing alliance suffered another disastrous defeat, failing to prevent another two-thirds majority for Fidesz. The far-right Jobbik party illustrated that its impressive tally in 2010 did not represent a high water mark for “national radicalism”, while LMP, the Green party, barely survived electoral annihilation to retain a modicum of parliamentary representation.

Despite the trend to slightly overestimate Fidesz and slightly underestimate the left, on the whole pollsters proved wrong sceptics who had claimed a massive skewing of the polls, predicting a vast concealed movement in the electorate that would tilt the results to either the left or the far-right, depending on the source.

Turnout was low, as most analysts had predicted, which favoured Fidesz. At an average of 60%, turnout in the two previous electoral successes for Fidesz (1998 and 2010) 2014 was 9% lower than in the three elections won by the left (1994, 2002, 2006).

Election results of 6 April 2014

	Fidesz-KDNP		Alliance (MSZP-Együtt-PM-DK-MLP)		Jobbik	LMP		
	2014	Change since 2010	2014	Change since 2010	2014	Change since 2010	2014	Change since 2010
Share of popular vote	44.87	-7.88	25.57	+5.87	20.22	+3.85	5.34	-2.14
Share of seats	66,8	-1,3	19,1	+3,8	11.6	-0,6	2.5	-1,7
Number of seats (2014 only)	133		38		23		5	

Fidesz-KDNP

Fidesz is only the second governing party since regime transition to achieve re-election in Hungary. Taking full advantage of the opposition’s fragmentation, it successfully exploited the electoral system to attain a parliamentary majority far exceeding the level of its social support. It has also manipulated other aspects of democratic decision-making, such as opposition access to the media and its own access to vast campaign funds. But the fact remains that the governing party is the most popular political force in Hungary, and though the outcome would probably have been closer if the entire process had been clean, Fidesz would still have won. The government’s abuses of the democratic framework did have an impact on the size of its parliamentary majority, however, which remained virtually unchanged despite a substantial decline in its share of the popular vote.

Fidesz referred to its haul of 44.9% as an unprecedented level of support at a European level, and a visibly pleased Prime Minister Viktor Orbán interpreted the voters’ verdict as an affirmation of the government’s policies. His combative tone also suggested more conflict ahead, and to some extent that was inevitable. Fidesz needs to keep alive the impression that it is pursuing a perpetual struggle against the enemies of the nation, rhetoric which keeps the faithful energised.

Left-wing Alliance

For the left, even the usual trajectory of election nights proved unfortunate. Generally, results from the left-leaning areas come in later, so the Alliance looked particularly weak early in the evening, a situation that was exacerbated by rumours of last minute polls that had it finishing barely ahead of Jobbik in the low 20s. By the time the dust had settled and the Alliance had proved to have expanded its lead over Jobbik with 26% of the popular vote, election night was almost over and the mood was

set. There was little left to do but step in front of the cameras very late at night and blame the result on Fidesz’s s anti-democratic manoeuvring. Együtt-PM’s Gordon Bajnai and Tímea Szabó were the exception. In particular the former criticised the Alliance’s efforts, emphasising that the defeat lay in both the left’s failure to persuade voters and Fidesz’s manipulation. It is important to point out that though there is no way to effectively quantify the consequence of Fidesz’s machinations, it is unlikely to account for the 19 points separating the left from Fidesz. Most of that difference did indeed stem from Fidesz’s genuine popularity, and the left’s failure to present a promising alternative. It is also true that many of the restrictions and manipulations – in particular campaign restrictions equally affected the far-right Jobbik and the Greens (LMP).

Jobbik

Jobbik HQ was an odd sight to behold on election day. Even as the party improved on 2010 and remained the second party in significant parts of the country, its leaders seemed sombre, even downcast. Mostly, politicians are determined to squeeze even puny election returns for whatever glimmer of good news they allow. Even as the commentariat assessed the party’s performance as a success, Jobbik appeared determined to see it as a disappointment. They had clearly expected more, maybe based on their seemingly unstoppable surge in the polls, or maybe because they believed their own hype about challenging Fidesz to lead the government. Regardless, this result firmly established Jobbik as a prominent presence in the Hungarian political landscape. Jobbik candidates finished second ahead of the left-wing Alliance in 41 of the 106 single-member districts. Most importantly, Jobbik performed well in eastern areas which are crucial for the left to regain power. In a number of districts that were formerly MSZP strongholds, the Alliance was stuck in third place at levels under 30%, while Jobbik vied with Fidesz for first place.

Jobbik’s Achilles heel remains Budapest, where the far-right candidates failed to break 10% in almost half the districts, and only took over 15% in one of 18. The party made some inroads in conservative north-western Hungary, where it had also been weak four years ago, but it still remained far stronger in the east. In the long run, an inability to break through in Budapest could be a huge stumbling block for Jobbik’s national aspirations. There are at least 6-7 counties where Fidesz is likely to remain dominant and win most if not all single-member constituencies even if it loses significant national support. If you factor in Budapest, then there simply are not enough seats left for Jobbik to win an election outright.

LMP

For Hungary’s green party, the election yielded a minor victory, though the fact that its decline from 7.5% in 2010 to 5.3% was considered a success is in itself indicative of the rough ride the party has experienced over the last few years. It was squeezed in particular by the party split in 2013, which led to the defection of a majority of its MPs, along with a significant section of the party’s left-leaning base. At the time, it was assumed that a majority of the party base had left along with the defectors who ultimately joined Gordon Bajnai’s team, and that may well be the case, since many who opted for LMP on 6 April 2014 may indeed be newly-minted Greens. The party was also under pressure from an increasingly majoritarian electoral system and a concomitant political culture that does not tend to reward smaller players. Interestingly, LMP co-chair András Schiffer complimented his Socialist counterpart, MSZP President Attila Mesterházy, which the latter duly reciprocated in his own concession speech. For analysts, who pounce on every detail that might signify a softening of Schiffer’s anti-MSZP position, this was an interesting titbit.

For now, András Schiffer’s rejection of bipolar mainstream politics has succeeded. In the long-run, five seats in Parliament won’t count for much, however, and some LMP voters may decide to ditch the

Greens in favour of a formation with more prospect of influencing national policy. LMP won another four years in its quest to find a lasting place in Hungarian politics, but it still lacks an established bloc of voters who can guarantee sustainability.

Factors behind the irresistible momentum of Fidesz

The reasons underlying Viktor Orbán’s popularity are complex, but there are six factors vital to understanding their election triumph.

**1 |** Over the past twenty years or so Fidesz has created, successfully nurtured and consolidated a core base numbering at least 1.5 million voters, who have stuck by the party since 1998. This is an ideologically committed camp, whose emotional needs, such as nationalism, conservatism and anti-communism are met by Viktor Orbán’s rule.

**2 |** The years 2013-2014 have brought some measure of relative economic growth and a rise in real incomes. The Hungarian economy had been in perpetual crisis since 2007, and therefore any positive signs as well as a reduction in utility costs constituted relief for the Hungarians. These factors enabled Fidesz to win over hundreds of thousands of undecided voters. Fidesz’s economic populism (exceptional sectoral taxes on banks and energy companies, as well as intense state interference in setting utility prices) was bold enough to allow it to enact policies that run counter to economic orthodoxy and democratic principles, which satisfied the material desires of broad swathes of the electorate.

**3 |** Fidesz realised at an early stage that the political and economic crisis of 2006-2010 led the majority of Hungarians to grow disillusioned with not only the socialist government but also the whole post-1989 system. Notions such as “democracy”, “free market” or “capitalism” had become less and less alluring

to the average citizen. Consequently, in the last few years Fidesz has portrayed itself as the party of change, while the left-wing opposition parties have remained the defenders of a malfunctioning capitalism.

**4 |** The left-wing opposition, as well as the affiliated intellectuals and media, spent most of the run-up to the election on infighting. Although the Hungarian Socialist Party dedicated the years of 2010 to 2013 to reinvention, before the 2014 elections it entered into an alliance with former PM Ferenc Gyurcsány, who had previously left the party and represents its past. In such a race PM Viktor Orbán came to symbolise “strength” and the “ability to govern”, while the left crudely portrayed itself as “admittedly incompetent, but at least the lesser evil”.

**5 |** A significant segment of the electorate that was disappointed in Fidesz did not support the left but opted for the far-right party Jobbik instead. As a result, the anti-Orbán camp split into two blocks of roughly equal size, a left consisting of several parties and a united far right. Fidesz was capable of soundly defeating the divided opposition, despite losing some 600,000 votes since 2010.

**6 |** Through rewriting the election law and transforming the media environment Fidesz gained an unfair advantage, which enabled it to win another two-thirds majority rather than a simple majority in Parliament. Among other things, Fidesz changed the electoral law to benefit the governing parties. Fidesz’s own campaign was indistinguishable from the government’s communication campaign, the public media was transformed into propaganda channels, and fake NGOs with murky funding arrangements were used to crusade against the opposition.

### OSCE censure

By arguing that the governing parties “enjoyed an undue advantage” and essentially classifying the election process as unfair, the OSCE report on Hungary’s national election confirmed many of the accusations made by the left over recent years. It also provided a late justification for their massive defeat. The report lists several points, most importantly “restrictive campaign regulations, biased media coverage and campaign activities that blurred the separation between political party and the State.” The media was overwhelmingly in the hands of Fidesz and reporting showed strong bias, the OSCE argues, and, tellingly, it also added that the campaign, which was subdued in general, was “almost indiscernible in rural areas.” Given that that’s where Fidesz did best, this is no trivial detail. This puts the opposition’s undeniable failure in perspective, for the quality of a campaign is of little importance if government policies successfully strive to make sure that it does not reach voters unless it is hand delivered.

## 1.2 | European election: A lost opportunity to restructure the left

Since a Fidesz triumph was once again a certainty, two crucial questions remained to grant a modicum of interest to the affair. Would Jobbik be able to clinch second place and how would the parties of the left fare relative to one another? The election was primarily an internecine struggle on the left and a battle between the far right and the left. On 25 May 2014 MSZP (Hungarian Socialist Party) lost the former and the left won the latter.

### All about the left

Unlike in April, the discrepancies between the polls and the election outcome proved very relevant indeed. Actually, to be more precise, estimations revealed that in a close race, the tiny percentage of voters that Hungarian pollsters have difficulty in gauging can make a key difference in terms of forecasting the result. And with regard to the two key questions, Jobbik vs. MSZP and MSZP vs. other left, these few voters provided a veritable earthquake.

EP election results in Hungary, 25 May 2014

Party list	Fidesz-KDNP	Jobbik	MSZP	DK	Együtt-PM	LMP
Average poll forecast	54.75%	16.75%	14.75%	3.75%	4.25%	4%
Actual result	51.48%	14.67%	10.90%	9.75%	7.25%	5,04%
Seats	12	3	2	2	1	1



EP election results in Hungary, 25 May 2014

As usual, the Fidesz vote was overestimated by a few percentage points, except by Századvég, which was dead on with its forecast of 52%. Jobbik, too, performed slightly better in the polls than in actuality. However, the difference was most significant in the case of MSZP. Though its figure of almost 4% below the level forecast by the polls was not much worse than Fidesz's (–3.26%) or Jobbik's (–2.07%) losses, it was psychologically devastating on several accounts.

Most importantly, this was MSZP's worst result in a national election in 24 years, the year of the first free elections in Hungary. Even in 2010, coming off a calamitous and unsuccessful term in government, it did nearly twice as well. Second, in reality the party's leadership and its supporters had hoped that MSZP, often underestimated in surveys, would pull off a second place finish despite lagging slightly behind Jobbik in the polls. In reality, it was not even close.

Third, its performance relative to the left-wing splinter parties led by former PMs Gordon Bajnai (Együtt-PM) and Ferenc Gyurcsány (DK) was disastrous. The anticipation had been that with a low turnout MSZP would do fairly well in comparison with the other two parties, because of its better organisation and activist base, while the two new parties had had little time to build national structures. This only made a difference in rural areas, however, where MSZP ran significantly ahead of the two others. In Budapest, MSZP finished behind DK and Együtt. In urban areas outside the capital MSZP led its main left-wing competitor, DK, by only 10,000 votes. As a consequence of this calamity, MSZP President Attila Mesterházy and the entire party presidium resigned.

An election contest without second place

Despite its second place finish, Jobbik also had little reason to celebrate. The far-right dropped a substantial 6 points on its strong performance in April. The party leadership's reaction provided an

ironic twist. In April Jobbik's leaders had been visibly upset despite the party's strong showing, because in defiance of the polls they had hoped for more. In May, faced with an objectively disappointing result, the party leaders put on a show of cheerfulness. Jobbik naturally remains a significant political force and a higher turnout election can easily put it back on a rising trajectory. But an allegation that Jobbik MEP Béla Kovács had been a Russian spy obviously exacted a heavy toll. It showed that Fidesz has the means to assail Jobbik when their strength becomes menacing.

The real winners in terms of exceeding expectations were the three minor parties, though with the feeble performance of Jobbik and MSZP that description is increasingly relative. DK, despite going into the election with the lowest predicted result of the three, performed best, almost reaching MSZP's tally nationally. It ran especially strong in Budapest, was slightly ahead of the Socialists in the Central Hungarian counties and on par with MSZP in large parts of western Hungary. In the East, MSZP retained a sizeable lead for the most part.

Evidently, DK managed to win over a significant number of (former) socialist voters, which makes Gyurcsány the most significant rival of the Socialist Party. Gyurcsány's victory speech packaged the inevitable attack on the Socialists into a highly conciliatory tone. Seemingly sparing MSZP, he said that the opponent was Fidesz, not the parties of the left, so it made no sense to speak of victory in that context. To the layperson, this must have seemed like a friendly gesture. But then he added that for the municipal elections in October the left must unite again and agree on a distribution of candidates among them proportionally. What he meant was that DK should be given a vastly higher ratio of municipal candidacies than the share of candidates it was offered in the parliamentary elections. In other words, Gyurcsány was staking out his claim as an equal leader of the left.

Though Együtt-PM failed to meet its leaders' expectations, it reached the 5% threshold easily and also remained a viable force on

the left. Though it was fairly strong in Budapest, finishing ahead of MSZP in some districts, it was significantly weaker than the other two left-wing parties in the smaller towns and virtually absent in the rural municipalities. More than the other parties on the left, Együtt-PM proved to be a Budapest party. Over 63% of all its votes came from Budapest, while for MSZP this ratio was slightly under 50%, and for DK slightly over. To remain competitive in the long run, Együtt and PM must work on their national presence.

Despite its dedication to rural issues, LMP also drew almost 60% of its votes from Budapest. Early on during election night it seemed as if the party would fail to reach the 5% threshold, just making it as Budapest and other urban results started coming in. Still, this must be a disappointment for party leader András Schiffer, with his party running far behind Együtt-PM and much further still behind Gyurcsány, whom Schiffer openly despises. LMP appears stuck at

a level which, though just sufficient for political survival, offers few opportunities for breaking out of the minor party classification.

Despite having a much higher level of support, the left suffers from a similar phenomenon. It is far too strong to fret about its very survival, but is further still from being able to contemplate a parliamentary majority. Nevertheless, together the parties of the left were nearly twice as strong as Jobbik, putting its second place in perspective. While the difference between the left and the far-right was only 5.5% in April, at the European Parliamentary elections it was a whopping 13.2%. Jobbik's dreams of becoming the main opposition force were put on hold in May. But the left's situation did not become much easier either.



## 1.3 | Municipal vote affirmed orange dominance

Municipal elections tend to be more appreciative subjects for the spokespersons of losing national parties than parliamentary elections because instead of one result to explain, there are thousands, and victory and defeat are not necessarily clear-cut. Even in the worst defeat, national parties can always point to some local successes that redeem their efforts or at least qualify the totality of their defeat. The good news for the left was that the saving graces of 2014 were the ones that gave it hope in 2010. And obviously that was also bad news for them, for there was little or no progress in October 2014.

### Another overwhelming victory for Fidesz at all levels

Even though both the left and Jobbik received more votes than in 2010, Fidesz again ran out convincing winners. Three facts illuminate the overwhelming nature of this success:

**1 |** The governing party retained control of all county assemblies. Its majority was reduced almost everywhere, in several counties to a majority of one seat, but it remained a majority. Fidesz is in complete control throughout Hungary. As usual, Fidesz's majorities are more pronounced in the western half of the country.

**2 |** Fidesz once again swept almost all major cities. In addition to Szeged, the left also won Salgótarján; with a population of 37,000 by far the smallest of the so-called towns with a county level



status, i.e. the largest urban areas in Hungary. In sum: Fidesz retains overwhelming control of the major towns where the left formerly held sway.

**3 |** In the capital, the mayor István Tarlós, the Fidesz-supported incumbent, was re-elected with a tally that was less impressive than previously expected, but imposing enough at almost 50%. Despite a weaker result than in 2010, Fidesz also expanded its majority in the city council from 17-16 (10 MSZP, 3 each Jobbik and LMP) in 2010 to 20-13 (10 left-wing, 1 LMP, 1 Jobbik and 1 independent), thanks also to the last-minute amendment of the municipal election law which - unlike the previous party list-based system - gives a huge edge to the party that wins most district mayoralties.

Votes are notoriously difficult to aggregate in municipal elections, since voters can only opt for party lists outside Budapest and the major towns, so information about party preferences without any impact of personal voting is only available in the rural areas and in smaller towns.

Here, Fidesz lost votes in most counties, though generally not dramatically, usually in the range of 4-5% or even less. Their share of the vote was either over 50% in all counties, or enough to secure the majority of seats in the county assembly. Jobbik picked up votes in all counties, and surged massively especially in the western half of the country, where it was previously weak. It remains fragile in Budapest and the adjacent Pest county, home to almost a third of the Hungarian population; this is a problem for the party that interpreted its showing as proof that it is now the main challenger to Fidesz.

Rural Hungary remains a weakness for the left

The left’s results at the county level were mixed, as they were weaker in some counties than in 2010 and stronger in others.

Overall, rural Hungary remains the left’s Achilles heel; though on 12 October 2014 the urban areas also offered little comfort.

In the urban areas, on which the left had pinned especially great hopes, Fidesz lost votes everywhere, most significantly where its lead had been astounding in 2010 (in the Fidesz bastion Kecskemét its mayoral candidate received “only” 60%, down from nearly 80% four years earlier). With a few exceptions, the left made strides almost everywhere, though the progress was patchy and not immediately apparent in municipalities where the left-wing parties ran separately. Jobbik also added some strength in most major municipalities, though it failed to meet expectations in many. As compared to 2010, even the fact that Jobbik was on the ballot now in most major municipalities was progress for the far-right party. But the fact is that it is still not competitive in most urban areas, and in terms of its electoral prospects in a parliamentary election, that is a crucial problem, for it cannot hope to become a majority party through its rural strongholds alone.

For the left, there were few slivers of good news. Where its candidates ran jointly, the left overall often performed better than in municipalities where its parties ran separately, though there is of course a selection bias in the comparison. Generally, the left-wing parties were much more likely to unite in municipalities where they had some hope of winning. Where the left had won in 2010, it generally won again in 2014, and often with increased majorities, including two Budapest districts (19th and 20th) whose left-wing mayors had to govern against a Fidesz majority until October, but have a left-wing local assembly to support them in the new term. Two other left-wing mayors and an independent won their districts, but Fidesz retained its hold over large parts of the city, even several working class areas where the Socialists earlier dominated. Surprisingly, some former long-time left-wing mayors came close to victories in places that were (in national elections) swing districts even in the best of times for the left (e.g. in Szombathely and the 9th and the 11th districts in Budapest), but ultimately failed. The Budapest results were particularly disappointing for the left

because in the parliamentary election in April it had come very close to tying Fidesz in terms of party list votes and won eight of the city’s 18 electoral districts. A slight increase over the April results would have given the left a strong victory, but it turned out that Fidesz gained in strength instead.

The left-wing parties had been embarrassed by the early withdrawal from the race of their joint mayoral candidate, Ferenc Falus, and ultimately they were unable to fall in behind the next best alternative, the conservative economist Lajos Bokros, who had previously served as a finance minister in a Socialist-led government. Bokros’ tally of 36% was exactly on par with the left’s total vote in April provided one of the few crumbs of comfort, far exceeding expectations.

Nevertheless, the Falus/Bokros affair was a good indication of just how divided the left is, and there was some palpable relief, especially in MSZP, that for a while at least the whole unity issue can be set aside and the three main parties of the left can focus on competing against one another. After the EP election disaster the municipal ballot slightly shifted the balance back towards MSZP, but its advantage is still nowhere near as large as many had assumed until the EP election in May. In any case, with all major forces on the left surviving, the whole “who won more votes where” issue will be laid to rest, and instead the parties will seek to establish themselves as either the dominant player or at least permanent fixtures on the left.



## 1.4 | Outlook on the Hungarian party system in 2015

Who will rise to challenge the behemoth of Hungarian politics, the governing Fidesz party? This has been the perennial question of Hungarian politics since 2010, and 2015 will be no different. With both the far-right and the left vying for the position of main challengers to the governing party, and the left fractured to an unprecedented degree, predictions are near impossible at this stage. Between 2010 and 2014, Fidesz's losses translated almost equally into centre-left and far-right gains with the result that now both claim to be the genuine opposition force. Both have empirical arguments to back their assertions. Adding all left-wing votes together, the left has always outperformed Jobbik, narrowly in the parliamentary elections (but with an expanded lead over 2010) and by a massive near 2-1 margin in the EP elections. At the same time, individually Jobbik did come in second behind Fidesz in the EP election, it was also often second in public opinion polls in the second half of 2014, and it has racked up some impressive results in the north-eastern part of the country, recently winning a mayoralty in the town of Ózd with over 60% of the votes (here it was clear that many voted tactically to defeat the incumbent Fidesz mayor).

With Fidesz now at a low in the polls unseen since late 2012, in fact some would argue increasingly near a crisis point similar to the one experienced by the left in 2006, the question is whether one challenger can capitalise will be the defining party political issue until 2018. The Hungarian electoral system disproportionately favours the strongest party, even if its share of the vote falls far below majority level. A fragmented opposition, whether divided between a centre-left and a far-right or between various centrist and left-wing parties, has little hope of defeating Fidesz.

As always, the slightest movements in the poll towards one party or the other will be analysed and (over-)interpreted to see if they raise the possibility of one actor gaining momentum and consolidating itself as the leader that undecided voters will increasingly flock towards. Whether this actually happens continues to be unpredictable, we shall not endeavour to make a forecast. What can be said towards the end of 2014 is that there is no clear indication of who may claim the crown.

Instead, two crucial and persistent features of the anti-Fidesz opposition make the situation of organised political parties tough. For one, those moving away from Fidesz thus far refuse to realign themselves. That is a fairly normal phenomenon; most voters become undecided first and then gradually realign or return to their party of "origin". The second is that the most successful movements that challenge Fidesz, the various civil initiatives which have brought thousands of protesters into the streets, refuse to align themselves with political movements and generally do not even allow party politicians to speak at their events. This is both a pragmatic choice, for the experience is that many protesters are more likely to stay at home if they see "their" event being taken over by professional politicians, and an ideological one, since many of those in the protest movement are deeply resentful of the political establishment, both parties and politicians.

A major conundrum therefore exists for the growing numbers of people who oppose Fidesz but can find no cohesive structure from within the conventional party political milieu into which the patent anger increasingly seen on the streets can be channelled. Yet, party politics would seem to be the only possible solution. Short

of a revolution, Fidesz cannot be ousted by street demonstrations. Transforming a street movement into a party failed miserably in the case of Milla, the most successful organiser of demonstrations before 2014. Milla essentially killed itself off in an attempt to transform into a political party. Similarly, though there is reason to assume that many of the protesters ultimately voted for one opposition party or the other in the elections, in the end none of them managed to monopolise the anger in the street or to cast themselves as the political manifestation of that anger. It is reasonable to suggest that these disparate expressions of discontent find themselves in a Catch 22 situation. They can only

hope to effect change if protest is ultimately converted into a party political entity, but thus far all efforts to this end have resulted in alienating the activist base and diluting the anger that made these movements so successful. 2015 may or may not be the year when the opposition will be able to overcome this, but given the high level of tension any developments in this regard are definitely worth investigating.

# 2

## A testing year for the Hungarian opposition





## 2.1 | Left-wing alliance at the general elections

Given how long they bickered over the shape of their alliance, MSZP and Együtt-PM rewrote their previous deal and came to a new agreement involving a joint list (subsequently including Gyurcsány's DK) with stunning speed in January 2014, merely 3 months before the general election. The proximity of the election and the lack of encouragement from the polling numbers gave especially Együtt-PM a reality check, leading to the party having to do a volte-face on its insistence on Gordon Bajnai as the joint candidate for premiership, effectively acknowledging MSZP's leading role on the left. Having emerged as the winner, MSZP president Attila Mesterházy quickly moved to claim the PM candidacy for himself.

### A last minute deal on the left marked the return of Gyurcsány

While the original agreement between MSZP and Együtt-PM back in August 2013 envisioned them running separately with distinct candidates for the premiership – they merely pledged not to run opposing candidates in single-member constituencies –, under the new terms the parties decided to run on a joint list with a common candidate for prime minister. MSZP was given the right to nominate the joint PM candidate, which Mesterházy duly did, declaring himself the person to challenge Viktor Orbán. This marked the end of Bajnai's aspiration to reclaim the office. Former PM Ferenc Gyurcsány and his party, the Democratic Coalition (DK), also joined the list, which was an obvious success for Gyurcsány, for whom this marked a return to centre stage. Though Gyurcsány's call to find an outside PM candidate went unheeded, otherwise the deal reflected his key proposals.

This acceleration of events in January 2014 was probably not only driven by the needs of the impending campaign but also informed by recent political history. The left – and in particular MSZP – are still severely traumatised by the few weeks in 2009 following the resignation of the then-Prime Minister Gyurcsány, when the party's search for a candidate to succeed him turned into a farce, as one potential nominee after the other declined the offer. In part mocking and in part milking the process, the press itself began floating names that MSZP had not even entertained, reporting the name together with the "candidate's" rejection of the "offer". MSZP was clearly not going to have any of this drama again, and Mesterházy immediately pointed out that there would be no PM "casting" now.

### Running as part of an alliance guaranteed the survival of Együtt-PM and DK

MSZP for its part had very little interest in perpetuating the existence of the modest movements under its former prime ministers. By giving them slots on a joint list, it nevertheless guaranteed that they would persist in the next parliamentary term. Still, in addition to allowing all involved to focus their campaign efforts on the right, there was something for everyone in this deal.

By themselves, both Együtt-PM and DK were nearing the 5% threshold to enter Parliament, and both have come a long way towards such numbers. Együtt-PM strenuously fought its way down from figures well in the double digit range, while DK rose from nowhere. Both would have stood a reasonable chance of



making it on their own, but were just as likely to fail. And outside Parliament near certain political extinction awaits. The odds of long-term survival were slightly better on MSZP's coattails.

### Mesterházy's candidacy: winning the battle, losing the war

In the short term, MSZP certainly benefited from the deal. Its leading role on the left was beyond dispute in the general election campaign, and this was underlined by the fact that the deal in January 2014 also resulted in MSZP having seven times more MPs in the Parliament between 2014 and 2018 than DK or Együtt-PM. The impression of the Socialists' leading role was further reinforced by the quick anointment of Mesterházy as the joint candidate. While those involved wanted to make this choice seem

evident, by that time it was in fact a major concession especially by Bajnai, whose allure largely rested on the hopes of those who wanted to see him lead the government again.

Nevertheless, from an analyst's point of view Mesterházy's desire to become the candidate was always a bold and risky move. Bajnai's insistence was more logical; his foray into politics was primarily motivated by the possibility of becoming PM again, and he had little else to lose in politics. The risk for Mesterházy was that of a disastrous defeat, which, if followed by an even worse result at the EP election, would endanger his otherwise secure position at the helm of MSZP.

## 2.2 | Election aftermath leaves the left with strategic dilemmas for 2014–2018

Opposition to the Orbán regime is split into two camps of roughly equal size, which is actually an ideal framework for Fidesz to become a hegemonic political actor in Hungary. The opposition camps comprise some 1–1.3 million voters each: one consists of the Hungarian Socialist Party (MSZP) and other parties led by politicians who were previously affiliated with the Socialists but have since seceded; the other camp is the far-right Jobbik. The green party, LMP, which rejects all other camps, can count on some 200,000–300,000 voters. The growth potential of individual opposition parties is not only delimited by the superiority that the Orbán government enjoys in the economic and media spheres, or by the endlessly changing legal milieu, but also by those parties' own "glass ceilings".

### Long-term strategic interests of the left-wing parties differ

The left had barely recovered from the stunning reality of finishing 19 percentage points behind Fidesz when its leaders were required to address the difficult issue of how to handle the stiffening competition for the limited left-wing electorate. Differing assessments of why the left ended up so far behind Fidesz divided MSZP, DK and Együtt-PM before the general election night was out. The fact that there was no attempt to form a joint parliamentary group in the Hungarian parliament and that all parties ran independently for the EP is evidence enough.

This was of course predictable. Many observers felt that the left alliance was doomed to end in disarray. In fact, while defeat was particularly liable to trigger discord on account of all the blame to go around, it seems likely that success too would have ended up in sustained squabbling over cabinet posts and high level appointments, the course of the new government, how to handle Fidesz and Jobbik, etc. On the right, critics treat this dissension as further evidence that the public was wise in not trusting the opposition.

While genuinely aligned in their desire to oust Orbán, apart from this common goal, which has been delayed by at least another four years, the strategic interests of the left-wing parties diverge. MSZP wishes to reclaim its position as Fidesz's sole opponent. For the Socialists, whatever benefits the other left-wing parties may have gained in the parliamentary election, e.g. Együtt's and PM's ability to draw young and centrist voters or DK's ability to bring out Ferenc Gyurcsány's fan base, in the long run they merely temporarily fulfil roles which MSZP must play. There is, moreover, a significant risk for MSZP that if any of the other parties manages to pick up significant strength, then that surge will inevitably come at their expense. As a party with a stable voter base of ca. 15%, a national grassroots presence, activists and considerable resources, MSZP still enjoys a significant edge over its left-wing rivals. Still, it continues to lack dynamism and is clearly struggling to project a clear identity and direction.

The EP election was an ideal test for the rivals on the left. As the only purely proportional election, it allowed all parties to show

their potential reach without compromising the overall haul of the left. Furthermore, being closer to the national election, it also provided an unusual peek into the perennially elusive issue of “what if?” – In this case what if the left parties had run separately for the national legislature. However, no matter how the leaders of the left determine their individual paths now, the question of together or separately, which has defined the left since Együtt-PM and DK (and LMP, of course) were established, will not go away soon. The current electoral system will always pressure the left into an alliance, but at the same time none of the parties are likely to be content with winning a few seats every four years on an MSZP-led ticket with an MSZP candidate for prime minister.

## Ideological differences and personal conflicts hinder cooperation

There are ideological differences and personal conflicts hindering cooperation between the Hungarian Socialist Party, Együtt, PM, and Democratic Coalition. The greatest source of tension is that these groups cooperate with each other while remaining opponents. In essence, they are competing for the same base, they want to be featured in the same media outlets, and they are trying to convince the same ideological and financial supporters. Such a situation, in which parties can neither cooperate nor gain power without one another, results in permanent conflict that is played out in public. The result is damaging to the parties’ popularity.

For the Hungarian Socialist Party it is both an advantage and a disadvantage that it spent 12 of the 25 years since regime transition in power, and that it is the successor party to the former ruling communist party. Because of its past, it boasts the most widely rejected political brand in Hungary, but at the same time it is also the most recognised and has the most experience. Ferenc Gyurcsány, the politician who governed Hungary into a state of near bankruptcy but is still considered the best orator of the left, is no longer an MSZP member, but his successor at the helm of the

Socialist Party, Attila Mesterházy, nevertheless entered into an electoral alliance with his predecessor. In the May 2014 European Parliament election the party achieved its second worst election returns ever, which led to the resignation of its chairman.

In July 2014, the Socialist Party elected a new leadership after the dual election traumas in the spring. The top position was taken by József Tóbiás, who is considered a skilled back room operator. He succeeded in the absence of any credible internal opponent for the position. Tóbiás is also considered a more idealistic left-wing politician than either Mesterházy or his other predecessors. In line with this assessment, the newly elected chairman opined that he is not interested in building a rainbow coalition of liberals and anti-Fidesz conservatives, nor does he want the issue of joint candidates with other left-wing parties to dominate at the expense of all other problems, but wishes for MSZP to be a distinctly left-wing force.

The Democratic Coalition (DK) led by Ferenc Gyurcsány performed unexpectedly well in May at the European elections, which was due primarily to former MSZP voters it had successfully lured. Ferenc Gyurcsány clearly retains a yearning to unite the left, but at the same time he remains the most widely rejected Hungarian politician outside his residual 200,000 believers. Until a new charismatic leader appears on the opposition side of the political spectrum, many voters will continue to identify the left primarily with the person of Ferenc Gyurcsány, which will in turn impose significant confines on the ability of the left to grow its support.

With the withdrawal from politics of the leader of Együtt-PM, former Prime Minister Gordon Bajnai, left-wing politics retains very few prominent personalities. Hence the work of attracting primarily younger and liberal voters faces an uphill struggle. The green party LMP, which strives to maintain a position of equidistance between the left and right-wing forces, appears incapable of shedding its overly intellectual image, and as a result it has not emerged as a political party with which voters can emotionally identify.

As the three left-wing parties achieved approximately equal support in the EP elections (MSZP: 10.9%, DK: 9.75%, Együtt-PM: 7.25%), MSZP’s role as the leader of the left was questioned. Having no clear leader on the left during the run-up to the local elections, the parties formed only a weak alliance, which resulted in their candidates finding themselves running against each other in some districts of Budapest, although this was partly due to the modified electoral system.

Within this fragile alliance for the local elections, leftist outfits in other towns were busy negotiating to find common candidates for the most important positions. In several instances, the three parties, which were forced to cooperate rather than to compete, selected controversial candidates. A mayoral candidate in Miskolc, Albert Pásztor, who lost the election in the end, made a politically incorrect but locally rather popular statement in 2009, which enraged many liberal voters. Previously a respected police chief in Miskolc, Pásztor, in that capacity noted in a press conference that thefts and robberies perpetrated in public areas are committed by Roma people. Later he also stated that in some areas in Miskolc coexistence between Roma and non-Roma citizens apparently does not work. For many voters, he is someone who is willing to discuss important problems in rural Hungary, while for many others he is simply a racist. Consequently, the challenge to meet expectations both of the potential average left-wing voter in eastern Hungary and liberal opinion formers concerning ethnic conflict, crime and poverty continues to trouble the left-wing opposition.

Meanwhile, in Budapest the left-wing parties belatedly realised that their mayoral candidate was lacking both experience and political nous. Two weeks before the elections, they switched Ferenc Falus for another nominee, Lajos Bokros, a former finance minister of the Horn-government (1994-1998) widely known for passing a series of austerity measures. Budapest’s city mayor is not only important because the capital is the country’s unrivalled economic, cultural and tourist centre, but because the city is the

home of the largest potential support of the leftist opposition. Despite this switch, Ferenc Falus’ amateurish campaign had condemned any notion that incumbent István Tarlós from Fidesz could be beaten.

Bokros considers himself a right-wing democrat and a conservative, and although he is certainly not a supporter of Fidesz, he is also not left-leaning. The question of his endorsement divided the left-wing opposition. While DK, Együtt and the Budapest Council within the Hungarian Socialist Party (which is officially responsible for running MSZP candidates in the capital) supported Bokros, the Presidium of the Hungarian Socialist Party and green-left PM refused to back him. The new frontline within the opposition apparently lies between those who can accept the liberal politicians not allied with Fidesz as left-wing candidates and those who want an ideologically more consistent new left.

The fact that the leftist opposition was unable to find a suitable candidate for the most important position at the municipal elections highlights the dearth of talent available to it. Between 2006 and 2009, the Gyurcsány cabinet discredited all capable or potential leftist politicians to a degree that increasingly allowed inexperienced and second-tier functionaries to emerge.

On the whole, in the medium term the left’s division will not change. MSZP will probably strive to recapture the voters lost in eastern Hungary, and hence will probably try to make up ground there by emphasising its stand on law and order, as well as sending out more forceful messages on social issues. Együtt and PM, which decided not to renew their alliance and went their separate ways after the local elections, will probably try to advance in urban areas, while the goal of the Democratic Coalition will be to forge a united left bloc under the leadership of Ferenc Gyurcsány. The other left-wing parties will prevent the latter from happening. LMP will probably stick with its “plague on both their houses” centrist approach, with the concomitant 5% in support.





## 2.3 | Jobbik going mainstream

Jobbik's surge at the 2014 general elections raised serious questions, not only because of the party's hostile attitude to minorities and many key aspects of democracy. The other major question is whether Jobbik's persistent strength will also lastingly impede the left's ability to become the alternative party of power. There is a point at which Jobbik could become a serious thorn in Fidesz's side, but for now its rise is a blessing for the governing party, since it successfully splits anti-government sentiment. Given the imperative to win single-member constituencies, Fidesz benefits more from being slightly ahead of a divided opposition than being more clearly ahead of a unified opposition. While both would imply victories, a united opposition would capture many more single-member constituencies and reduce Fidesz's margin in Parliament.

Moreover, unless the opposition manages to consolidate anti-Fidesz support better than hitherto, it will never be able to cut into Fidesz's majority to a degree that could actually jeopardise the governing party's pre-eminent position. In other words as long as new anti-government voters split approximately equally between the left and Jobbik, Fidesz's buffer is much larger than if these voters all went the same way. A future scenario where Fidesz could hold a majority in Parliament even with 35-40% support is theoretically conceivable under such conditions. The complete rejection of both Jobbik and MSZP in large segments of the electorate is a major blessing for Fidesz.

### Mainstreaming Jobbik

A precondition for maintaining this state of affairs is "mainstreaming" Jobbik to some extent through rendering it palatable to larger



swathes of the electorate. Many factors facilitate this. For one, in significant part due to the role played by the radical right segment of the Fidesz-aligned media, public discourse in Hungary has shifted decisively to the right. Extreme versions of nationalism, authoritarian values, hostility to the West and resentment towards minorities are commonplace in several nationally marketed media outlets affiliated with the mainstream right (e.g. *Demokrata*, *Magyar Hírlap* and *Echo TV*), and they also crop up even in the right's flagship daily, *Magyar Nemzet*. While most of these outlets are staunchly anti-Jobbik, this is a matter of party preference (and funding) rather than ideology. They played a significant role in creating the educated segment of Jobbik's base, and through their impact on public discourse they are also instrumental in convincing the general public that ideas previously considered to be far-right are in fact at home in the centre. The benefit for Fidesz is that even if at some point these voters do become dissatisfied with Fidesz's governance for, say, material reasons, they might well gravitate towards Jobbik.

The other side of mainstreaming is coming from Jobbik itself. For years, the party has resisted the temptation to moderate its tone in the interest of capturing voters who have reservations about radicalism. In early 2014, too late to turn the election but in time to improve its performance, Jobbik toned down the extremist rhetoric and was openly trying to woo voters closer toward the centre of an electorate that had shifted decisively to the right.

Moreover, Jobbik's communication efforts are increasingly helped by segments of the mainstream media, which are resolving the dilemma of "how do we handle the far-right" by treating it just as another political player. In particular, they feature lifestyle stories involving far-right politicians showing them as everyday folks "like the rest of us". Probably unwittingly, but in trying to cosy up to their own far-right readers, or seeking to draw new ones, these outlets are driving home the very idea that despite stigmatising minorities, dubious comments about key constitutional values and democracy, as well as a hostility towards western integration, Jobbik is in fact

just like any other political party. While their more radical designs offer very limited potential for growth, mainstreaming may open the door to vast unmapped reserves of voters.

## Scandals reveal key flaws in Jobbik's expansion strategy

At the worst moment possible, just when it was on the verge of finishing second for the first time in a national election, Jobbik became embroiled in two scandals, a minor one concerning the most extreme wing of the far-right and a major one concerning its eastern ties. With the left fragmented, Jobbik managed to finish second at the European elections, but these two scandals in spring 2014 revealed the dangers and limitations of the party's mainstreaming strategy.

The minor scandal broke out at the constituent session of the new Hungarian Parliament, when extremist demonstrators organised by prominent former Jobbik MP Tamás Gaudi-Nagy (also known for defenestrating an EU flag in Parliament) attacked Fidesz MPs for allowing the sale of Hungarian land to foreigners. Things got particularly nasty when the political leader of the Hungarian minority in the Serbian region of Vojvodina (Vajdaság), István Pásztor, arrived as one of Fidesz' guests of honour. Pásztor is considered a sell-out in extremist circles, and some of Gaudi-Nagy's more fervent adherents followed up on his condemnation of Pásztor by spitting at the politician. When pressed whether he thought this appropriate, Gaudi-Nagy assessed that Pásztor ought to be relieved that he is not hanging from a lamppost.

Jobbik, which had for years continuously mocked the left's calls to distance itself from more egregious manifestations of extremism in its ranks, immediately issued a harsh denouncement of the demonstrators' actions. For Jobbik, this story demonstrated the damage that the extremist strata which the party has fostered are able to wreak on efforts to moderate the party's image.

Jobbik's vocal support of Russia (as well as its ringing endorsement of Islam as "the last hope for humanity") has raised eyebrows, but in 2014 the issue erupted into a full-blown crisis. Béla Kovács, a Jobbik MEP primarily known for his dedication to Russia (e.g. by endorsing the democratic nature of the Crimean secession referendum), stood accused of being a Russian spy. Apparently, his frequent visits to Moscow led the Hungarian secret services to monitor him. According to pro-Fidesz daily *Magyar Nemzet*, the authority's investigation unearthed evidence that Kovács works for the Russian government. His Russian wife is allegedly a former KGB agent. "KGBéla", as intra-party opponents allegedly refer to him, came out of nowhere to become a leading Jobbik figure and is primarily known in the Jobbik scene for his access to vast cash reserves of obscure origins. Apparently, Kovács was also the key player in Jobbik Chairman Gábor Vona's rapprochement with Russia.

Béla Kovács's career in the EP is also of interest. In 2012 in a regular monitoring report on the activities of Hungarian MEPs, Policy Solutions documented its surprise that a newcomer to the European Parliament who was not affiliated with any of the major mainstream groups in the EP was given two influential positions as the author of committee opinions, which both dealt with Russia.

Jobbik vice chair Zoltán Balczó, whom Kovács succeeded as an MEP, argued that the whole affair was instigated by the international powers which were alarmed by Jobbik's impressive election performance and wanted to ensure that MSZP remains the leading opposition party, a view repeated verbatim by his colleagues. Jobbik's panicked reaction was also an acknowledgment that the charges are potent indeed. Being pro-Russian is one thing, and

with reference to the Russian leadership's staunch conservatism and nationalism, Jobbik was able to sell its Russia-friendliness to a far-right audience that is virulent in its condemnation of the Soviet occupation of Hungary. Few people would have thought this possible before it actually happened. But a candidate sponsored by Moscow would be quite another matter. While the faithful might buy everything and disbelieve charges even if a Jobbik politician were caught red-handed taking Russian money, the less committed voters that Jobbik is courting are probably less gullible.

The two scandals also reveal key challenges to Jobbik's strategy of perpetual expansion, which must sooner or later come at the expense of Fidesz. First, it cannot keep moving away from its extremists without losing support on the far-right. Moreover, this hardcore is guaranteed to occasionally embarrass the party and force it into painful rhetorical contortions.

In terms of the eastern connection, the question is more pragmatic. If Jobbik extols Russian and Middle Eastern partners solely for ideological purposes, then it can simply back off when this becomes politically costly. If however it is financially coupled with authoritarian regimes abroad, and Jobbik's lavish funds and sprawling media empire certainly raise questions as to the source of the money, then it cannot delude itself into thinking that Fidesz will not know or that the governing party will hesitate to use this information at opportune moments. Moreover, Jobbik is certifiably paranoid, perhaps justifiably so: other powers, too, might hold such political dynamite.





## 2.4 | Outlook on the Hungarian opposition in 2015

The parties of the left-wing opposition are intensely fatigued with the whole electoral coordination vs. going it alone dilemma. That is understandable, for they are coming out of an election year with three nationally held ballots, which all required different electoral strategies and forms and degrees of cooperation necessary for the distinct electoral systems. Adapting to the changing conditions of each election led to an endless amount of strategic synchronisation, going from deep cooperation in April to a complete divorce and rivalry in May (European elections), and diverse tactics for each town and even district in the municipal balloting in October. The inevitable squabbles and failures offered ammunition to Fidesz's communications machine, whose main goal is to keep the opposition divided in the long-run. Correspondingly, almost all of the left-wing parties seem relieved not to have to work with one another for the time being. The one exception is Ferenc Gyurcsány, who was relentlessly pushing the left-wing forces into a unified party, although sensing the futility; even he has toned down his calls.

We have now moved into an era of independent party-building. The clear ideological distinctions, which have been presumed to exist but were obscured by campaign tactics, may finally come to the fore, giving left-wing and liberal voters a choice between distinctive philosophies. Yet, it is also possible that individuals continue to overshadow the ideological differences, as Mesterházy, Bajnai and Gyurcsány did in 2014. The question is how much time and communication resources the leaders of the left will spend attacking each other, seeking to consolidate their positions by



criticising their erstwhile partners, rather than focusing their energies on challenging Fidesz.

What will be most closely watched is how the parties fare relative to one another in the polls. The odds are that the previous trend of MSZP outperforming its rivals but all of them showing some measure of viability will persist. Given the experience of the EP election, when MSZP proved more fragile than anticipated while the other left-wing forces did better, the smaller left-wing rivals will claim that even polling numbers of 2-3% are signs of viability since they understate their real support. If Fidesz continues to lose support and at one point the undecideds begin to break decisively for one of the opposition parties, then there is also the chance that we will see the beginning of the end in the fragmentation that has characterised the left since 2012. The odds are, however, that this will happen later, if at all.

If however an opposition party does take off in the polls, there is no guarantee that it will be a left-wing party. If the parties of the left spend too much time attacking each other or fail to present convincing alternatives, then the main beneficiary will probably not

be Fidesz, but Jobbik. The far-right party now appears convinced (as it must) that its decidedly mixed results in 2014 confirm its status as the second party and hence the government's main challenger, but at this point its poll results do not indicate that voters have also come around to this point of view. Jobbik still needs to square the circle of not appearing too soft for its core radical electorate, which is increasingly dissatisfied with the more moderate image cultivated by Chairman Gábor Vona and his main allies in the party, and convincing large segments of non-radical voters who are disillusioned with Fidesz to break for them rather than the left. This is challenging, and Jobbik's much improved results in western Hungary – not traditionally a hotbed of radicalism and (on account of demographic differences) a region where the public is less concerned about Jobbik's main issue, the policy towards Roma – is a sign that they may realise this ambition. Yet 2014 showed not only the success of this strategy but also its limits; for with the partial exception of the mayoral election in Ózd in eastern Hungary, Jobbik's October figures provided few indications of an imminent breakthrough.

# 3

## How to lose friends and alienate allies: Hungary's international relations in 2014

## 3.1 | Going East

A vigorous nationalism, populist economic policies and a tendency towards authoritarianism were hallmarks of Fidesz long before they won a two-thirds majority in 2010. Despite the misgivings of many western observers, Fidesz's commitment to solidly anchoring Hungary in the western hemisphere was never in doubt before Viktor Orbán's second term. Fidesz's rhetoric, notwithstanding occasional outbursts, and foreign policy had hitherto defined Hungary as a reliable NATO partner and EU member.

### Strategic commitment to the West no longer unequivocal

Since 2010, however, there has been a marked shift. Doubts have been cast on whether Viktor Orbán's increasingly authoritarian methods mesh with western understandings of democracy, rule of law and market capitalism. Meanwhile, Fidesz has signalled that its strategic commitment to the West is no longer unequivocal. At the very least, it must reconcile the old partnership with the growing significance of the country's eastern ties. In extremis, Orbán's now highly volatile rhetoric has even suggested that Hungary look to Asia to locate its values and vision of the future.

The Orbán government has prioritised improving ties with eastern countries, making major trips to Russia, China, Japan and Azerbaijan amongst others. New relations with Azerbaijan have proved especially contentious. Following a high-profile visit by Orbán in 2012, Hungary extradited a convicted murderer, Ramil Safarov, serving a sentence for killing an Armenian in Budapest, into Azerbaijani custody, where the former military officer was promptly set free, reinstated and promoted. Thus far, the eastern charm offensive has yielded few if any tangible benefits, although it is perhaps too early

to appraise the long term payback. Moreover, the government's position is that the deal with Russia on expanding Hungary's nuclear reactor in Paks is indeed a major breakthrough, though this claim is heavily disputed.

The government's efforts to curry favour with eastern powers has gone hand in hand with intense attacks on the European Union by Fidesz politicians which have sought to portray government policies as a struggle against foreign (western) domination. This rhetoric climaxed in their rejection of the European Parliament's Tavares Report on government abuses of democracy in 2013, which they labelled "constitutional colonisation".

These political attacks against Fidesz's opponents in Europe were complemented by more generalised ideological statements suggesting the decline of the West and a corresponding rise in the status of eastern powers. Remarks such as the "the West's light is fading", "the West is running towards stormy waters", "there is no need to feel sorry for the declining West", for it "was more of a prison than a home to us" (the last was later claimed to have applied to the failing model) are typical of this rhetoric.

### Forging eastwards

The prime minister has lauded the eastern economic model, which in itself may well be relatively uncontroversial, yet has also made comments that evince sympathy for the authoritarian practices which continue to prevail in many eastern countries; this is debatable, to say the least. His comment that Hungarians are a "half-Asian lot that can only co-operate when there is a strong power" was interpreted as an expression of this sentiment and aroused significant protest, though for the most part only on the left. Economic policy including the growing role of the state has drawn criticism not only from the opposition, but also from right-wing economists in Hungary. What is true is that it is far from clear that state ownership is in fact the most successful element of the

Asian model or that Hungarian state enterprises would be able to replicate the performance of their Asian counterparts.

What is not controversial on the whole are the enthusiastic efforts to forge new ties in the East, though some of the means and partners have been subject to criticism and contribute to Hungary's growing isolation on the European scene. It can be argued that the Orbán government is playing pure realpolitik, a concession to the reality of a shifting global economic balance.

Crucially, a rapprochement with Russia and China had already begun under the previous MSZP governments. A former prime minister, Péter Medgyessy, had expressed aspirations that Hungary could become "China's bridgehead in Europe" and Ferenc Gyurcsány was known for cultivating friendly relations with Russia and Vladimir Putin, even making a private visit to the Russian premier after resigning as PM. Incidentally, at the time Fidesz was harshly critical of the Socialist government's overtures to Russia, and in particular Gordon Bajnai and Együtt-PM highlighted Orbán's previous comments warning of Putin's dangerous destabilising policies against Fidesz (initially, MSZP and Gyurcsány refrained from jumping onto this bandwagon, but ultimately the temptation proved too strong).

The difference between the approach of MSZP and Fidesz's eastern orientation today was that the Socialists, who always sought to cultivate a "friendly to all" and "proud to be small" image in the international arena, wanted to build ties in the East without tarnishing Hungary's relationship with and image in the West. Even as some might have considered an effort to please everybody as self-deception, the Socialists clearly believed in the benefits of avoiding confrontation. Even when priorities clashed and Gyurcsány plumped for the Russian South Stream pipeline over the EU's Nabucco project, the government sought to downplay the significance of the snub rather than to emphasise it, as Fidesz does now. Confrontation has increasingly become the default stance for Fidesz, and somewhat surprisingly this has translated into the



foreign policy sphere as well. Though it must be emphasised that its politicians communicate far more diplomatically when they engage their western counterparts directly than when they talk about the West to Hungarian audiences.

How much should be read into Fidesz's broad approach or into its specific gestures? As the obvious shift in Orbán's rhetoric from his time in opposition shows, there is capriciousness but nothing yet hints at the abandonment of the new eastern orientation any time soon. It appears that Orbán's policies and rhetoric have created their own self-fulfilling reality, and with Fidesz safely ensconced in power, Hungary may find it increasingly hard to assert itself in the West, whilst hoping it can compensate with gains in the East. There may indeed be prizes in the East that were simply not, or not quickly enough, available in a slow-moving European economy where deals are generally thrashed out in supranational committees and intergovernmental forums. Still, while bilateral deals with autocrats may be theoretically easier to reach, the price, financial and/or political, can be just as high or even higher. And as the Paks nuclear deal shows, legitimate criticism of its questionable openness in Brussels aside, such covenants inevitably expose Hungary to risky transactions which eschew customary transparency and public scrutiny.

## The special relationship with Russia

Theoretically, Orbán's multifaceted web of foreign policies and the accompanying domestic rhetoric might have created a niche for Hungary to exploit in light of the drastically worsening relations between Russia and the West. As an EU and NATO member state, Hungary is formally part of the West with access to all the corresponding official institutional fora. Still, at the same time, Orbán has relentlessly praised eastern models of economic and social development, arguing Hungary should aspire to these rather than to a declining and decadent West, which allegedly seeks to force its failed ideas and policies on smaller Member States who

seek greater self-determination. If this strategy is more than mere rhetoric – and there are some very real indications that it is – then Hungary's trajectory will increasingly make the country member of an unofficial and ill-defined eastern league.

Orbán topped off his eastern charm offensive by signing a massive nuclear deal with the Russian energy giant Rosatom, which will redistribute money to the tune of 10% of Hungarian GDP into Russian hands, in exchange for nebulous benefits. Aspiring to a return to superpower status, Russia is disposed to occasional financial sacrifices to foster loyalties, and perhaps Hungary was a bargain.

This combination of ideological sympathies and mutually beneficial financial transactions provided a good basis for embarking on a new chapter in previously fractious Fidesz-Kremlin relations, for in opposition the Hungarian governing party had been amongst the harshest critics of Putin's regime and its attempts at bolstering Russia's influence on the continent.

The deal with Rosatom for the expansion of the nuclear plant in Paks has been highly controversial for a variety of reasons: the hefty price tag of 10 billion dollars; its financing by way of a Russian loan that would increase Hungary's already substantial sovereign debt; its long-term effect on Hungary's energy strategy and in particular its likely crowding out of renewable energy and the absence of transparency, which seemed to come out of nowhere.

The massive nuclear agreement concluded with Russia a few months before the general election stunned many experts. Even parts of the right-wing commentariat were left speechless by the audacious deal. In opposition, Fidesz had been a relentless critic of the 20 billion credit line requested and received from the IMF in 2008, which arguably saved Hungary from the unpleasant effects of a default, and was also fiercely critical of the previous government's efforts to ingratiate itself with Putin.

Paks is critical in terms of Hungary's energy mix, supplying 40% of domestic electricity consumption. But many experts doubt whether this deal is the best way forward in terms of increasing Hungary's energy production. The experts also estimate that electricity from Paks II would cost significantly more than the current price of energy would justify, which means that if the government honours its pledge to provide citizens with the cheapest energy in Europe, then it will do so at a significant loss to taxpayers.

The left-wing opposition and the green party, LMP predictably went ballistic over the deal, and their reaction was at least partly explained by election politics: there were too many juicy details to pass up here. Apart from policy objections, the mere enumeration of the areas in which this marked a reversal over Fidesz' previous positions provided an ideal opportunity to bash the governing party.

While the green organisations LMP and PM can legitimately claim to have a longstanding grudge against nuclear energy, there is plenty to oppose for Együtt and the Socialists as well, even though the latter had also been flirting with the idea of a Paks expansion. For one, the government closed the deal without any public consultation on an issue that commits the country to a long-term energy strategy whose effects would stretch vastly beyond the current government's term, both financially and strategically. Furthermore, the execution of the project would not be subject to a tender. In any case, the government's customary unwillingness to allow public scrutiny of its major policies understandably provides fodder for conspiracy theorists.

The only political force that greeted the news of Paks' expansion with enthusiasm was Jobbik, which is infatuated with the notion of energy self-sufficiency. In its statement welcoming the announcement, the party merely urged Fidesz to go further and build water dams for energy production. Jobbik's statement simultaneously bemoaned the fact that water dams had been a

taboo subject since regime transition (protests against a dam in Bős-Nagymaros by environmentalists in 1986 are regarded as one of the key events in the rise of the anti-communist opposition movement). However, Jobbik's glee might in part also stem from its conviction that foreign debts are not something Hungary needs to be concerned with. If you subsequently default on such debt, then the Paks expansion arguably won't cost much at all.

## Belated condemnation of Russia over Ukraine

Long into the Ukraine crisis, the Hungarian government postponed judgement. Thus Hungary was relatively late in condemning Putin's incursions and the annexation of Crimea, and Orbán also complained vocally about the sanctions imposed on Russia. By autumn 2014, this was no longer a sustainable position and finally the Orbán government has positioned itself against Russia and reaffirmed its commitment to its western ties, which many had come to doubt, given that Orbán had hitherto taken every opportunity to bash the West.

Distancing Hungary from Russia at the end of 2014 was probably a wise decision in the absence of credible other options, given the economic buffeting Russia has taken. She has suffered from western sanctions and by the massive drop in oil prices, which affects a key economic lifeline. The Russian decision to abandon the South Stream project, to which the previous government had wedded Hungary, was another blow to Russia and others, including Hungary.



## 3.2 | A tale of two Germanys

From a Hungarian perspective, there seem to be two Germanys these days, which is somewhat ironic given that we are nearing the 25th anniversary of the events that ended Germany's division. In the one Germany, high-ranking officials in one government party offer some of the harshest criticism of the Orbán government in all of Europe. In the other Germany, high officials in another government party laud Viktor Orbán and his policies or at least defend them in public.

### Coalition partners, conflicting messages

Harsh criticism was voiced primarily by Michael Roth, a social democratic undersecretary in the foreign ministry, and the SPD's point man on Hungary. On Fidesz domestic policies, Roth has made clear that the German government is well aware and concerned about problematic developments with regard to democracy. While Roth's immediate superior, Foreign Minister Frank-Walter Steinmeier (also SPD), is less overt in his own warnings, he too has called on the Hungarian government to respect core European values.

At the other end of the spectrum, leading figures in the right-wing CSU, the smallest coalition partner and sister party of Germany's main governing party, the Christian Democratic CDU, have emerged as Viktor Orbán's stoutest defenders on the mainstream right in Europe. In a highly symbolic political message, CSU chairman and Bavarian Prime Minister Horst Seehofer, one of Germany's most influential politicians, gave a joint interview with Viktor Orbán. While their answers were suffused with implicit (the EU and its underlying





democratic values) and explicit (the euro) disagreements, on the whole Seehofer gave Orbán's democratic credentials an unqualified endorsement, which these days many conservative politicians would eschew.

Crucially for Orbán, the EPP grouping in the European Parliament is also led by a CSU man, Manfred Weber, a vocal defender of Fidesz even before he became the leader of the largest faction in the EP this year. Despite this backing, he can seem positively distant at times compared to his predecessor Joseph Daul. Weber is of course also to some extent dependent on Fidesz. After losing mainstream conservative delegations from the UK, Poland and the Czech Republic to euro-sceptic groups, the EPP can ill afford to forgo further conservatives, even if they are merciless critics of the EU like Fidesz, if it is to retain its paper-thin advantage over the social democrats as the largest faction.

In another ironic twist, Seehofer is among those driving the German government towards a tougher stance against Russia, while some prominent SPD politicians are counselling more caution and a greater understanding of Russia's geo-strategic interests. Given that Orbán is widely regarded as one of Putin's few European allies, CSU and SPD might both have come down on opposite ends of the Hungary issue had the party alignments been different or if a left-wing government were engaged in Fidesz style practices.

## Avoiding antagonism

While her coalition partners send deeply conflicting messages about Hungary (and Russia), Chancellor Angela Merkel sits atop the confusion like a sphinx, keeping everyone guessing on where Europe's most powerful politician really stands on the Orbán issue. This is not an unusual position for Merkel, who often prefers to wait out developments. In her most intense criticism of Orbán to date, she stressed that she does not agree with everything Orbán does, which may be strong language diplomatically but is nonetheless

bland. Her professed dislike for Orbán's style of leadership may have been more stinging personally, but Orbán does not need to be loved. More importantly, recent news about an official visit to Hungary in February 2015 would provide a crucial boost for the Hungarian PM, who is widely seen as having manoeuvred Hungary into international isolation. What better to counter this impression than a friendly visit by Europe's most powerful politician?

Nevertheless, Merkel's public reticence does not necessarily imply that German foreign policy is not actively guiding Hungary into a more mainstream European direction. What is evident is the major shift in the Hungarian government's communications in the last weeks of 2014, as the anti-western and pro-eastern/Russian rhetoric was replaced by firm commitments to the West and NATO and the EU in particular. This has been complemented by a charm offensive geared specifically towards Germany, whose leaders Fidesz now avidly courts. After a slew of complimentary statements about Germany by leading Fidesz politicians, the Hungarian government also awarded seven German politicians, mostly conservatives, but also two liberals, with Hungarian orders of merit.

While even previously the Orbán government had tried to avoid antagonising Europe's most powerful country and their most important trading partner, this level of enthusiasm is unusual and uncharacteristic of the Fidesz government. As recently as spring 2014, Orbán felt quite comfortable ignoring carefully worded German advice on the memorial for Hungary's WWII victims, which in an act of historical obfuscation squarely lays the blame for all atrocities committed at the time at the German door. Citing an unnamed high-level source in Fidesz, the Hungarian weekly HVG named decisive German pressure as the underlying cause of this recent shift in attitude. Allegedly, the Germans made clear that they were exasperated with Hungary's wilfulness and expected Orbán to fall back in line, especially on Russia. Given that there was little indication previously that Hungary would suddenly seek to normalise its relations with the West, this may well be an accurate

reading of events. The risk of Angela Merkel adopting an openly critical stance towards Orbán might carry sufficient weight to induce such a change, and the promise of an official visit in the near future is an indication that Merkel knows how to combine the stick with the carrot.

At the same time, this success is a testament to the enduring notion that the EU is much more of an interest-based than a value-based community, which Horst Seehofer strenuously denied in his aforementioned joint interview with Orbán. There is no indication yet that this change will also lead to a reversal of controversial domestic policies. Even though, strictly speaking, the internal conduct of fellow EU members is no longer just a foreign policy matter, for the most part EU members respect this demarcation.

It is unclear whether Merkel's pressure, if that is indeed the cause of the transformation, also implies concessions on domestic policies. Even if it does, it will likely allow Orbán to save face by instituting those more quietly. What is apparent, however, is that German pressure was not triggered by a concern for Hungarian democracy and is not primarily aimed at remedying such concerns. Still, in the most optimistic interpretation it does suggest that Germany is in a position to influence major shifts in Hungarian policy. Moreover, it would be an affront to Merkel if Orbán timed another assault on the rule of law to coincide with her visit, so if the chancellor does commit to upgrade Orbán's international status with a visit, she might at least delay further provocative measures.

## 3.3 | Hungary-US Relations at freezing point

It is primarily thanks to the Ukraine crisis that Hungary has gone from an ignore list in the US to “worthy of some level of involvement”. With the reorientation of US foreign policy towards Asia, the once strategically relevant Central and Eastern European region became less significant, more so because it appears solidly embedded in the EU and NATO. Though few critics of the weakening of democracy and eastern orientation feel that the EU has treated this disconcerting trend with the attention it deserves, no one would deny that, until recently, the Union was far more actively involved in Hungary than the US.

### Growing criticism

With the crisis in Ukraine and the re-emergence of Russia as a threat to regional stability, the balance has shifted. America has morphed into a considerably more forceful critic of dubious government policies in Hungary than the EU, which mostly sat 2014 out. Hungary has received hard-hitting and intensifying condemnation from the US, confirming speculation that relations between the countries have reached a low-point. The most significant criticism came from President Obama himself, who referenced the Orbán government's attacks on NGOs while listing a slew of authoritarian regimes attacking civil society. His promise that the US will stand up for embattled civil society might well be interpreted as a warning.

The major story in US-Hungarian relations in 2014 was the US's decision to bar certain high level Hungarian officials from entering the States because of their involvement in corruption.

The Americans have refused to publicly divulge the names of the officials involved, and the Hungarian side implausibly claimed that it was ignorant of their identities. After much speculation one of the early “suspects”, the head of the tax authority, Ildikó Vida, confirmed that she was one of those on the blacklist.

The key point here is not necessarily the corruption scandal per se, but why the US chose to escalate the issue (and whether it was in fact the US that chose to escalate it) at this particular time. It has been claimed that America is annoyed with the Fidesz government and its Russia policy in particular. There is of course also the very real possibility that this is indeed a reaction to an American company, the cooking oil producer Bunge, losing business as a result of corruption. Nor are the two necessarily exclusive. Either way, what complicates the picture is that the story was made public by a pro-Fidesz newspaper, though that might well have been a pre-emptive strike.

In a sign of US irritation Foreign Minister Péter Szijjártó, who was dispatched to Washington to smooth ruffled feathers but failed to secure a meeting with his American counterpart John Kerry, was met by the State Department's Assistant Secretary of State for European and Eurasian Affairs, Victoria Nuland. There are some very public indications as to what Nuland might have told Szijjártó. In one of the harshest foreign attacks on the Fidesz government to date, Nuland had levelled the following criticism at Orbán in early October: “How can you sleep under your NATO Article 5 blanket at night while exhorting ‘illiberal democracy’ by day; whipping up nationalism; restricting free press and demonising civil society?”

In a television show, former president Bill Clinton went further still, accusing Orbán of seeking to enrich himself through public office: “He's just saying I don't want to ever leave power. Usually those guys want to stay forever and make money”. Clinton remains an influential voice in Washington and beyond, and it is likely that he is just stating more openly what everyone else with an interest in Hungary is thinking in Washington.

These attacks are all the more stinging because for years the US has watched the Fidesz government antics, including many of the policies that American officials now castigate, with equanimity. Though allegedly there was some pressure behind the scenes, for a long time the US maintained a strategy of giving the Orbán government a chance. This approach may have been fuelled by a perception that given rising nationalist sentiments in Hungary, Fidesz may offer a more reasonable way for the Hungarian public to vent these than extremist Jobbik, especially since the left is not regarded as a politically viable alternative in the prevailing atmosphere.

### Concern over rapprochement with Russia

Though recent US criticism suggests growing concerns about developments, it appears unlikely that the underlying cause is concern for Hungary for its own sake. Instead, the US seems to have recognised that Fidesz's strategic rapprochement with Russia is fundamentally entwined with the governing party's domestic agenda.

Moreover, Hungary may be more likely cede some ground on Russia if the government is put under pressure with an issue where it is genuinely vulnerable, i.e. corruption. One of Fidesz's greatest PR successes is that even though the government is accused of funnelling unprecedented amounts of public funds to companies and individuals aligned with the governing party, a survey conducted before the parliamentary election showed that voters continue to

associate the Socialists more strongly with corruption. Accusations that high-level officials are embroiled in corruption are likely to put a dent in Fidesz's popular image as an honest or at least less corrupt organisation, especially when made by a government whose clandestine service is assumed to wield great power.

For Fidesz, the sudden eruption of publicly voiced American animosity is a major dilemma. Despite a stream of tirades against the West, neither Fidesz nor Orbán has ever openly attacked the US, which is all the more impressive as the Fidesz-aligned media and intelligentsia are often extremely hostile to America. For Orbán, the question is how to placate the Americans effectively without losing face politically or upsetting the fervently anti-American elements of its own support.

That this dilemma might arise should have been obvious when Orbán was pandering to Putin and handing the Russians the right to expand Hungary's only nuclear reactor. What Orbán could not foresee, of course, was that Putin's policy towards Ukraine would escalate so drastically with concomitant effects on Russia's relations with the West. The straightforward response to this dilemma would appear to be ditching Russia, and there are some signs that the government is willing to do just that, though it is unclear how far it will go. There is a mutual interest in keeping the financially lucrative deal alive, but the sustainability of that decision is contingent on there being no further deterioration of East-West relations.

The corollary of this fluidity in Hungarian policy is that Orban is not perceived as a reliable partner. An expedient or induced change of course may temporarily shift his preferences in one direction or the other, but there is no genuine commitment in any of his foreign policies. Orbán may rationalise this by claiming that this is realpolitik pure and simple, but the reality is that realpolitik, too, hinges on making credible commitments, and his inability to signal credibility has led to an increasing international isolation. For once, it appears that Orbán is experiencing how uncomfortable isolation can be, and is desperate to overcome it.



## 3.4 | Relations with the EU and the Visegrád states

Had it not been for Russia, this could have been an untroubled year, but the basis of conflict between the Orbán government on the one hand, and the EU and Hungary's European partners on the other, has shifted away from the standard issues involving anti-democratic policies to foreign policy-related concerns over EU and Russian relations.

Prime Minister Viktor Orbán chose an unfortunate moment to turn away from the West and towards Russia in a strategic reorientation of Hungarian foreign policy. It could not have been foreseen that Russia would escalate a mounting conflict with Ukraine and drag the entire region into a crisis that brings long dormant cold war tensions back to life. Before the Ukraine conflict erupted into military engagements, the Orbán government might have had reason to assume that economic cooperation with Russia would ultimately be accepted in Europe, for whatever disagreements there were between Russia and the West, at least they lacked a military dimension.

The Russia issue was mostly handled through back channels between Hungary and its European and American partners (see our related analyses on Hungarian-German and Hungarian-US relations this year), and while it left a fairly obvious trace in recent Hungarian foreign policy, this dispute did not lead to open confrontation (US Senator John McCain's undiplomatic comments at the confirmation hearing of the new US ambassador to Hungary are an exception in this regard). In an election year, there was a sense that the European Commission or Parliament did not desire further tensions with Hungary. Experience shows that Orbán has been able and more than willing to exploit conflicts with Brussels by casting himself and Hungary as the victim of malevolent international forces, successfully stirring up anti-European sentiment in the process.

### Relations with the EU: distrust remains

When European Commission President José Manuel Barroso made his farewell visit to Budapest in September, the general mood was one of better relations and Barroso emphasised that Hungary would remain one of the largest net recipients of European development funds. Still, Barroso's quip that he hopes the Hungarian version of the partnership agreement he signs actually says what was agreed upon was widely interpreted as a reference to the distrust that still prevails between Brussels and the Orbán government.

Some open conflicts remained as well, however. First, despite a decision by the European People's Party (of which Fidesz is a member) to nominate Jean-Claude Juncker as Barroso's successor, Orbán vehemently and publicly opposed the choice of the former Luxembourg PM. Though Orbán's anti-Juncker rhetoric had an intensely personal tinge, such a position is of course defensible, but it is somewhat odd to start questioning a party's own leading candidate after the election rather than doing so before. Nevertheless, apart from a brief retort by Juncker, the confrontation, such as it was, fizzled out, as did the resistance against Juncker by other European countries.

A more serious clash broke out over the nomination of Tibor Navracsics as European Commissioner. As a key architect of the Orbán government's anti-democratic policies, former justice minister Navracsics had plenty of baggage to begin with. He had also been a forceful proponent at the European level of the controversial Hungarian media law in 2010, even accusing European Commissioner Neelie Kroes of criticising the act for party political reasons. In a letter

at the time, Navracsics wrote that the media regulations "comply with the EU's directives and the customary European regulations in all their elements." Navracsics was also unlucky that the government crackdown on NGOs coincided with the nomination process, which made him a target of critical green, liberal and far-left MEPs who sought to clarify his own role in this and his view of the harassment of civil organisations.

Though Navracsics did receive a minor slap on the wrist from the EP when part of his portfolio as commissioner was removed, a major scandal was averted thanks to Navracsics's ease in repudiating his own previous positions (he said he had never agreed with the media law in every aspect), his willingness to distance himself from the cabinet he had served in, and a comprehensive deal between the conservative EPP and the social democratic S&D groups in parliament, which might have faltered had the socialists turned Navracsics down. Unfortunately for those who sought to link Navracsics's nomination to the greater problem of anti-democratic practices in Hungary, for the social democratic left too many positions hinged on getting the Commission approved to scuttle Juncker over what is ultimately regarded as a relatively minor issue.

### Visegrád relations shaped by the Russia issue

Hungary's relations with its partner states in the Visegrád 4 were shaped chiefly by the Russia issue. Interestingly, on the question of sanctions against Russia, Hungary found itself aligned with left-wing governments in Slovakia and the Czech Republic and opposed to one of the few governments Orbán harboured friendly feelings towards, the centre-right cabinet in Poland (it is not clear how reciprocal this feeling was; mutual relations were certainly more enthusiastic under the more conservative PiS government led by the Kaczynski brothers). Anti-Russian sentiment is far stronger in Poland, and fears of Russian expansionism are never far beneath the surface. Hungary and the remaining two V4 countries would also characteristically share an historical fear of Russia, but in the current situation they are

relatively relaxed on the expansion plans and far more worried about the impact of economic sanctions.

While it is true that much of Europe is paying the price for the sanctions against Russia (with Germany being one of the most dependent on gas imports and France in the midst of a vital delivery of two Mistral ships for which Russia had already paid), the situation of Eastern European countries differs. For one, these are small economies where Russian trade ties matter more proportionally than in the more distant parts of the Union. Moreover, their energy security is also threatened, and replacing Russian gas imports if things go from bad to worse would be more expensive than for wealthier countries. Finally, as the Bulgarian decision to block the South Stream pipeline in response to EU pressure shows, these countries also stand to lose major business opportunities.

Incidentally, the situation in Poland is not necessarily that different, but there the economic costs are outweighed by fears of how far Russia will go unless kept in check. That is why the Poles are enthusiastic about containing Russia but also would like a swift peaceful solution. How little the Orbán government appreciates other countries' legitimate concerns became apparent when Orbán spoke of self-determination of ethnic minorities in Ukraine while Russian troops were alleged to be helping themselves to slices of Ukrainian territory. This insensitivity stunned Poland but caused consternation beyond, too. Apart from the questionable morality, such statements fuel existing concerns as to whether Orbán knows where the boundaries are (literally and figuratively) and where Hungary would end up in the unlikely but far from impossible scenario that the Russians ramp up their aggression. Analogous as the Slovakian and Czech attitude may have been in respect to economic fears, overall their behaviour did not give rise to the same suspicions that Hungary has, hopefully unwittingly, courted. Though Orbán's government backtracked from its formerly pro-Russian stance in the last weeks of 2014, trust may have been seriously damaged.





## 3.5 | Hungary's place in the world in 2015

The most important factor in terms of Hungary's foreign policy situation will be outside of its control. Much will depend on how Russia pursues the conflict with Ukraine. In a chilling warning, Slovakian Prime Minister Robert Fico said he saw a 70% chance that the Ukraine dispute would turn into an open military confrontation. Given that to some extent it already has, the implication is that Fico believes the situation will deteriorate from limited engagements to all-out war. It is not clear what the Slovakian politician based his pessimistic assessment on, but if reality were to prove him right, there would be catastrophic implications for Hungary. In this scenario the challenge may well be a refugee crisis, the safeguarding of a vulnerable ethnic Hungarian minority across the border, and compensating for the loss of essential gas supplies and the collapse of much of Hungary's eastern trade. In fact there is the more dangerous prospect that armed conflict may not be limited to Ukraine. Even in a scenario that does not involve open warfare, decisions in Moscow and western capitals will significantly curtail Hungary's foreign policy latitude, leaving Orbán with much reduced wiggle room.

The Orbán government's eastern policy is in shambles and Fidesz must use 2015 to figure out how to take the country out of the international isolation that the ruling party's policies have manoeuvred it into. That is not an easy challenge. Western partners have little reason to trust Orbán, and though they may be cautiously optimistic about the prime minister's ability to step back from the edge of the precipice, he remains an impulsive and extraordinarily stubborn wild card. Hungary's eastern relations are not necessarily



all in jeopardy if the Orbán government remains firm in its break with Russia, but they will be embedded in a considerably more volatile international context, and the question remains what benefits foreign policy practitioners can extract from these relations. On the one hand, the foreign policy challenge will not be made easier by the fact that on the orders of Péter Szijjártó the foreign ministry is laying off what little remained of its professional staff. On the other hand, given that foreign policy decisions are centralised at the very top and Orbán does not tolerate professional input that contradicts his own pre-conceived notions, these mass redundancies may have little impact.

One of the key questions for the Orbán government is whether they dare let Hungary be 'small' again, at least at the international level. Fidesz often lambasted the previous centre-left government for being too timid in the international arena and punching below its weight. Orbán has asserted that Hungary is not a small but a medium-sized power (if one does not take into account economic output, then in a narrow regional context that may be true), and he has acted in line with this assessment. Though this has led to more attention than Hungary previously enjoyed, it has also brought international isolation and yielded few tangible benefits. Now would be the time to rediscover the benefits of a more subtle approach and to tone down Fidesz's assertiveness, but this seems unlikely given Orbán's nature and behavioural precedents.

Finally, the government might also find it more difficult to enact sweeping domestic changes to further weaken democracy. 2014 may have been the year when many foreign governments realised that at least in Orbán's mind foreign policy orientation and increasingly authoritarian governance go hand in hand. There is no compelling need to combine these, and theoretically Fidesz could continue its policy of piecemeal weakening of democracy if it persuasively re-embraces the West. Authoritarian regimes have been welcome in NATO as long as they firmly supported the West, and though the EU has yet to share this accommodation, it appears less perturbed by the possibility than most would have previously thought.

Recent American reactions show, however, that the West might not allow Orbán to go to whatever lengths he pleases. A desire to stop him may be rooted in an assessment that Orbán's authoritarian leanings easily become translated into dubious foreign policy preferences. But at one point there may be an ideological frontier as well, a point where the EU says that a given transgression is no longer compatible with European identity. Preserving the coherence of an institutional identity is a form of interest, too, of course, but is somewhat different from keeping a foreign alliance together. In any case, it is not clear whether this will come to pass, however, should it do so then foreign policy and domestic policy will once again become hopelessly entangled.

# 4

# Economy and society



## 4.1 | The year of the Orbán economy

During its early years in office, economic policies were considered the Achilles heel of the second Orbán government, the point where its stubbornness and arrogance would prove most obviously self-defeating and undermine its efforts at consolidating power by weakening democracy and the system of checks and balances. Many experts, including several on the moderate right, still insist that this will be the case, though the timeline of this projection is unknown. Whether down to sheer luck or a better sense of economic realities than critics gave it credit for, or maybe a combination of both, the fact is that at least in 2014, just in time for the election, the performance of the economy vindicated the Orbán government and its chief economic architect, György Matolcsy.

This does not necessarily imply that the economic critiques of what Matolcsy has famously termed “unorthodox” economic policies are erroneous. What it does mean though is that Orbánism is more durable than thought, and that the opposition’s political strategists cannot fully rely on the promise of impending economic doom; it has often seemed that the opposition plans for bringing down the government mostly rested on doomsday projections of economists which ultimately failed to materialise.

### A timely upturn

In post-communist economies, where the proportion of the population who live at the edge of what one could only very generously describe as a middle-class existence, economic fortunes tend to be more closely connected to the success of a government than in more developed economies. The fate of the Orbán regime



visibly demonstrates this. The nadir of Fidesz’s popularity was 2012, when the economy stood at a low point (~1.7% real GDP growth on an annual basis) and, more importantly, an upturn was not on the horizon.

Though the governing party still enjoyed a substantial advantage amongst voters, this was less a reflection of its support than the opposition’s persistent weakness and division. In the total population, the Orbán government was barely ahead of the left and the number of undecided voters was skyrocketing. Had the economy continued to stay in the realm of negative growth, then even with all its efforts at influencing the democratic system the Orbán government might have gone the way of so many post-transition governments in 2014, though it certainly would have been a close contest given the potency of Fidesz’s core constituency.

As it happened, however, the economy picked up steam, slowly at first in early 2013 (but even at 1.1% growth Hungary was well ahead of the dismal European average) and then, most fortuitously, greatly in the first two quarters of 2014 (3.5% and 3.9%, respectively). Presaging Fidesz’s strong victory in April 2014, both consumer and business confidence had already grown in 2013 and reached heights unseen since before the crisis of 2008/2009. This was more than enough to seal an overwhelming victory at the polls.

## Statistics and other gimmicks

The remarkably successful year of 2014 was not entirely rooted in a robust economic strategy; it featured plenty of style over substance announcements as well as some outright manipulation. Most glaringly, employment figures were adjusted to reflect those employed abroad, with the Orbán government taking credit for jobs created elsewhere and for people, most of whom had left Hungary because successive governments had failed to create an economy that offers quality employment opportunities.

The rapidly expanding workfare programmes also served to boost the number of those employed to record levels exceeding 4 million. Given that placing vast numbers of those without jobs into public works programmes is now an ideological objective, it would not be fair to describe this as a gimmick. Predictions that Fidesz would significantly scale down the number of employees in such programmes once it was safely confirmed in power have thus far not been borne out. The governing party appears to be genuinely signalling a long-term commitment to moving from welfare to workfare.

Still, whether it was mainly for electoral consumption or is part of a long-term strategy, the fact is that the government’s workfare programmes have done next to nothing to realise their alleged objective of moving people from workfare into gainful employment. Within six months of their period in public works programmes, less than 10% of former participants had found work in the private sector. Given that those on workfare make up a growing segment of Hungary’s recently impressive employment figures, and as some critics charge the only growing segment, since private sector employment is stagnating, whether they offer those involved long-term alternatives or just perpetuate extremely low incomes and largely unproductive employment is a moot point.

Finally, GDP growth has been known to spike in election years (2010 was a notable exception, due to the massive impact of the crisis and the pro-cyclical economic policies of the Bajnai government), and in 2014 this was due to massive state outlay, including the well-timed conclusion of (largely EU-financed) infrastructure projects. This suggests that the extraordinary growth rates of 2014 do not appear to be based on sustainable foundations, to some extent these numbers may only be temporary peaks inflated by campaign strategy.

But even while acknowledging the flaws, one should also point to the potentially effective elements of Fidesz’s economic strategy to understand what is happening in Hungary.

## Crude principles

If one removes the ideological veneer of Fidesz bravely standing up to a mainstream economic consensus that would deprive Hungary of its ability to grow by preventing the Orbán-Matolcsy duo’s unorthodox methods, then the fundamental tenet of Fidesz’s economic policy is rather simple. The government wishes to turn Hungary into a cheap manufacturing hub that is attractive to investors who do not mind an undereducated workforce as long as it is cheap and has few rights; especially if they can also benefit from a customs-free access to European markets that would be unavailable to them had they invested in Asia.

It is telling that even as the government has been levying punitive corporate windfall taxes left and right, continuously arousing the ire of its European partners and the EU because of the effect these taxes have on European companies that have invested in Hungary, it has spared the sector which underlies its growth strategy, namely manufacturing.

By primarily penalising the service sector, the Orbán government reasons that it can take a cut from the profits of investors who will endure as long as they believe that some money that can still be made here. Unlike manufacturers, who can relocate and operate elsewhere, service companies in retail, banking, etc., lose a profitable market if they abandon operations in Hungary. What’s more, in some cases causing investors to lose money and driving them out is part of the strategy. The Orbán government has openly declared that it wants a majority Hungarian and/or state ownership in certain key strategic sectors, banking among them. Just like the Putin government in Russia, one of the key economic and political role models for Orbán, the Hungarian government too plans to build a national oligarchy that controls large “captive” markets whose consumers cannot easily relocate.

While the entrepreneurs aligned with Fidesz may not be able to build Mercedes’, Audis or Suzukis, which is why the government

treats these foreign companies with uncharacteristic deference, Orbán and his economic strategists figure they can provide banking, retail and public utility services, so there is no reason to let foreigners (or non-Fidesz clientele) reap the profits in these sectors. Though the logic may be flawed (the vast amount of savings flowing out of Hungary show little confidence in a Fidesz-controlled banking system), overall it has worked thus far. The taxes and price controls in the affected service sub-sectors will probably have a significant impact on the quality of services the companies involved will provide, but it may take a while for these to manifest. Also, the government could easily move to improve profitability once it has determined that it has driven enough foreigners out.

## Cue Marx: the return of the class-based society

Apart from the blatant cronyism apparent in the lighter burdens imposed on enterprises owned by Fidesz-aligned oligarchs, the other dark underbelly of this economic policy is that it is based on keeping millions employed in cheap industrial labour, with little social mobility not only for the present generation of working adults but also for their offspring. In line with prevailing conservative views from the time Orbán has designated as Hungary’s golden age, the interwar period, Fidesz seeks to build a huge low-paid underclass and a Fidesz-dominated elite that will by rights control the most lucrative segments of the economy and bequeath these positions to future generations of Fidesz loyalists.

Fidesz is helped in this endeavour by the widespread social acceptance of differences in social status, which treats such hierarchical arrangements as natural and justified. Packaged in the very fashionable concept of “national” commitment, that is an elite which is committed to Hungarian rather than foreign interests, in contrast to the “international profiteers” that Fidesz’s cronies are crowding out, such an arrangement can enjoy significant public

support even if Hungarians tend to be also wary of vast income differences.

All of this can also help explain why Orbán constantly touts Asia and bashes the West. Orbán's references to successful Asian models of development at a time of western stagnation are meant to serve as an illustration. A concentration of disciplined industrial workers as part of a strictly hierarchical and stratified social order is precisely what Fidesz wishes to reproduce in a Hungarian style, hence his emphasis on a work-based society and the phasing out of traditional welfare. And of course just like in the envisioned Asian model countries, social harmony and conformity are prized above classic liberal values such as public accountability, self-expression and social activism. While Orbán's Asia analogy may fail on numerous counts, in particular because we have neither high-tech production like China and Singapore nor vast raw materials like the CIS states Orbán is courting, it does not mean that the model is completely doomed. A poor man's version of the Asian miracle could still be feasible, especially if its products can be sold in the EU without tariffs.

## Few rights, fewer hopes

A significant overhaul of the labour code practically removed most employee protections and the little remaining power of the trade unions. Though this trend may not be particular to Hungary, the power imbalance towards employers is extreme. Among the modifications are an increase in working hours, management's significantly expanded latitude in determining employees leave and when they can take breaks during the working day, a reduction in liability for workplace accidents, stricter controls on industrial action etc. Taken individually, these changes are relatively insignificant but when aggregated they leave employees considerably more vulnerable, although in many cases they only codified existing practices.

This goes hand in hand with Orbán's designated goal of completely abolishing welfare in exchange for workfare. Unemployment benefits are already extended for considerably shorter periods, and welfare is often contingent on engaging in public works programmes. While that may sound attractive to many who agree that unconditional welfare benefits encourage indolence among recipients, this change must also be weighed against the social realities in Hungary.

Media reports have shown repeatedly that local politicians often distribute workfare jobs based on political loyalties, occasionally exploit workers and often use blackmail, threatening or actually cutting them from the programme for non-existent or minor infractions. Given that an expulsion from the programme results in loss of welfare income, those who fall out of favour with their employer or the foremen inevitably teeter on the brink of destitution. This is a lot of power to wield without any oversight, and there is already considerable evidence that it is used to exert political pressure on those dependent on the programme. Hungary's most renowned poverty researcher, Zsuzsa Ferge, estimates that on a variety of grounds, including minor infractions some 150,000-200,000 persons are already excluded from workfare and thus deprived of access to any benefits.

In a further blow to social mobility, the Orbán government has vowed to reduce enrolment in higher education and to make free education at state universities contingent on academic performance, which also significantly favours the offspring of the Fidesz-supported and Fidesz-supporting upper-middle classes, who enter higher education much better prepared than their peers from lower income backgrounds. Moreover, Fidesz has reduced the school leaving age from 18 to 16 and has made no effort to raise education levels in the most vulnerable strata. Fidesz's social model needs a reservoir of cheap labour with low educational achievement. Excluding a significant share of those on the lowest rung of the social ladder from higher education is not unfortunate collateral damage but actually an important component of the

overall strategy. It significantly increases pressure on the rest to comply with the economic and political demands of the elite.

## Growing desolation

The results are palpable already. Ferge estimates that well over half of Hungary's 380,000 registered unemployed receive no benefits at all, while the rest collect some 150 euros a month. There are also 130,000 "passive" unemployed, who are no longer registered as such and are not entitled to welfare disbursements. Along with the previously cited figure of 150,000-200,000 already excluded from workfare for other reasons, and 200,000 in workfare programmes. This leaves close to a million in a precarious financial situation. Moreover, given the near impossibility of finding a private sector job for those in workfare, these masses have little chance of finding permanent employment.

If families are factored in, this situation affects some 2.5 million people, 800,000 of whom are children, Ferge says. There has also been a marked increase in the already high proportion of those people deemed to be at greatest risk. The worst is yet to come, however, argues Ferge, with plans to abolish all social benefits and replace them with workfare, "society is issuing a sentence over at least one and a half million people, including 400,000 children, that there is no need for them whatsoever".

Ferge's own estimates are also supported by Eurostat's figures for Hungary. With 27% of the population considered to be seriously deprived materially, Hungary has the third highest poverty rate in Europe. Importantly, the Hungarian figures are far worse than those of countries in a comparable situation. In Poland this indicator stands at 11.9%, in Slovakia at 10.2% and in the Czech Republic at a mere 6.6%. Hungary also boasts almost three times as many poor as the EU average. What's worse, not only the current statistics but the trends, too, are problematic. Hungary not only has extremely high rates of those at risk of becoming a poor, but is also the only

country in the V4 where poverty is rising. The situation is even worse for child poverty.

The government has further pledged that "decisions about benefits for those in need will be made in greater proximity to the persons affected. More decisions about social benefits will be made locally, in the given municipality." In theory, this may be sound like a reasonable move towards decentralisation, especially in an era with the greatest wave of centralisation since the end of the communism. Yet for those with some awareness of the feudal manner in which many local politicians run their fiefdoms, this announcement sounds like a threat.

Social policy under Fidesz has almost exclusively favoured the wealthiest strata. In addition to increasingly restricting higher education access, which was already heavily skewed against the offspring of the unprivileged, to the upper middle classes, Fidesz has significantly restructured family and tax benefits (including the introduction of the flat income tax) to favour those already well off and further deprive the poorest. Even those policies that were ostensibly meant to benefit all, such as the price controls for utilities and the alleviation of the burdens of those with foreign-currency denominated loans, disproportionately benefit the wealthy. Nowhere is this more apparent than in the estimated savings of MPs and government officials, who are themselves among the greatest beneficiaries of the government's social and economic policies.

## Shaky foundations?

Critics who have raised reasonable concerns about Fidesz's economic model contend that these policies are unsustainable. For one, they point out that despite declaring debt reduction a priority, the government has failed to deliver this, and Hungary's already high debt has surged under Fidesz. The deficit has been kept within the Maastricht boundaries, but often with ad hoc measures or taxes



that seriously undermine the competitiveness of major segments of the economy. Given the vast proportion of public funds diverted into the coffers of Fidesz-aligned enterprises, mostly done in perfectly legal though unethical ways, the system appears geared towards fiscal collision, leaving either the option of drastic austerity measures that the middle-class will no longer ignore or a ballooning of the deficit.

It is also unclear how far a European economy can hope to compete with low wage economies, or how far an economic regime that actively seeks to promote the spread of a low wage sector can survive politically. Most developed economies hope that promoting and expanding knowledge will help alleviate growth problems, while Fidesz appears convinced that in such an environment a niche as a low-wage producer will yield a competitive advantage. Many would wager that Hungary is incapable of occupying this niche, certainly in the long term.

The most alarming aspect of the overall strategy is that it might work in its own fashion. That is it will not succeed in building a dynamic knowledge-based economy where educated citizens vie for great opportunities – that is not Fidesz’s goal anyway –, but a strictly stratified society where everyone knows their place and a vast number of low income people are consciously held in check with the threat of being relegated to a small but substantial minority who are completely deprived of all legal sources of livelihood. One man’s strategic vision of the future may well be another man’s nightmare. But those opposed to the government ought to be careful about confusing their moral evaluation of the government’s plans with an empirical assessment of their viability.

## 4.2 | Illiberal democracy – vision or experiment?

Every once in a while, Viktor Orbán will outline his vision of Hungary with gnomish pronouncements barely comprehensible to either the media or the public at large. In the past the absence of concrete implications might have led some to conclude that these are just intellectual musings from a prime minister who very much sees himself as a visionary. Experience shows, however, Orbán’s thinking is rarely divorced from his actions.

Up to the summer of 2014, his 2009 speech at the annual meeting of conservatives in Kötcse was the most infamous example. Back then, he spoke of making Fidesz “a central political force” that would rule Hungary for “15–20 years.” While the intention was clear, Orbán gave no indication as to how this would be achieved or what it meant in practice.

Now, at the Summer Open University of Tusnádfürdő in July 2014, where ethnic Hungarian youths in Romania gather, Orbán made another major announcement that rocked the media and reverberated far outside Hungary. It is worth quoting the PM’s speech at length: “We will try to [...] make ourselves independent of the dogmas and ideologies that are accepted in Western Europe [...]. We] need to be capable of stating that a democracy need not necessary be a liberal democracy. We want to organise a society based on work, whose character is not of a liberal nature [...]. Interpreting the 2010 election from the perspective of the electoral success of 2014, one could say that in this grand international horserace citizens expect Hungary’s leaders to design the organisation of the Hungarian state in a way that will allow our community to be competitive in the era which follows that of the liberal state and liberal democracy. [...] The Hungarian nation is not

only an agglomeration of individuals, but a community that needs to be strengthened and built. In that sense the new state that we are building in Hungary is an illiberal rather than a liberal state.”

The speech was met with outrage on the left and among some international commentators, but the media had a hard time finding any of the usual right-wing pundits who would have offered an interpretation of Orbán’s words. In the first days after the Tusnádfürdő speech, there was only baffled silence among right-wing spin-doctors, since, presumably afraid of misinterpreting the PM, no one dared to offer his/her take on what Orbán actually said. Naturally, the prime minister himself felt no need to clarify what he meant or what this ideological goal actually implies.

### Illiberal democracy, definition?

In part, the problem is that the concept of illiberal democracy is itself extremely vague and ill-defined. As presumably synonymous terms, the Wikipedia concept of illiberal democracy lists “pseudo democracy, partial democracy, low intensity democracy, empty democracy or hybrid regime”, even though some of these are obviously contradictory – a pseudo democracy is not a democracy at all, while a partial democracy is, well, just that. No wonder then that academia has yet to fully nail down the term: a search on one of the major academic databases, Jstor, identified a mere sixteen articles where the term figured in either the title or the abstract. Illiberal democracy appears to be just another attempt to describe the point at which a democratic regime becomes an authoritarian one.

Fareed Zakaria associated the illiberal aspect of a regime with the absence or weakness of constitutional civil rights guarantees, while some key elements of democracy such as a form of democratic election would remain in place. The absence of liberal constitutionalism does not automatically render a regime undemocratic (in fact, Zakaria points out that theoretically an authoritarian regime may respect such values, so it is possible to have liberal authoritarianism), but it does make these countries very different from the western models of democracy, where individual rights are paramount.

The problem with this simplistic approach in the Hungarian setting is that while respect for civil rights is one problematic area, it is not the most crucial one. The comprehensive undermining of public discourse through a variety of means (restricting media reporting with an expansive media law and strategic interventions to have critical journalists silenced, party capture of media outlets to establish hegemony, restrictions on campaigning etc.) and the incessant manipulation of electoral rules to favour the governing party arguably weigh heavier in Hungary than civil rights transgressions.

In any case, what matters in the context of Orbán's speech is not how Zakaria or others define illiberal democracy, but what the prime minister means by it.

While the government's critics interpreted Orbán's speech as the most naked admission yet that Fidesz seeks to deconstruct western-style democracy in Hungary, ultimately the prevailing right-wing position offered a softened elucidation. Once they were given a narrative, Fidesz-aligned commentators claimed that the speech only meant to say that democratic politics would no longer be dominated by the principles of political liberalism, which had failed economically and socially. Allegedly, this holds no implications for democracy as such. In fact, since the public is fed up with liberalism, ending "liberal democracy" is the ultimate realisation of democracy.

## Grandiose and nebulous

It is most likely that the implications of Orbán's statements will emerge only slowly. In 2009, Kötcse also raised a lot of questions about the practical realisation of the "central political force" and its political dominance for a generation. Five years later, the answers are clearer. Fidesz wants to preserve its dominance by limiting public discourse and continuously shifting the electoral goalposts to its own advantage.

The notion of an illiberal democracy is likely both a restatement of the earlier notion - i.e. Fidesz's desire to remain the dominant political force in Hungary - and a projection of further measures to this end.

The fact that Orbán does not feel the need to clarify such a major pronouncement reveals much. Illiberal democracy is a regime where leaders are not under any obligation to clearly and intelligibly explain their strategic vision for the country to the public, where they can announce grandiose plans and objectives and refuse to clarify what this implies in practice. Outside of periodical murky elections, leaders in an illiberal regime are not accountable to the public.

Based on other claims by Orbán and Fidesz, it also emerges that in their understanding of illiberal democracy, criticisms of the government are also inherently criticisms of the democratic majority that elected them, in fact even of the entire nation, which must therefore be motivated by interests hostile to the nation (unless these criticisms come from the far-right, in which case they are well-intentioned but misguided).

## Illiberal democracy: a socio-economic and political stew

Orbán's own understanding of illiberal democracy is most likely a combination of certain socio-economic and political objectives. As he noted, he envisions a work-based society in which holding down

a job will be paramount, implying that those who can or do not want to work will forfeit certain rights. He was most likely drawing on his oft repeated admiration for what he broadly calls the Asian model, by which he means high levels of social discipline and low levels of public dissent.

Based on Fidesz's actual policies, it is also fair to deduce that illiberal democracy also features measures aimed at eliminating checks on executive powers and limiting, through a variety of means rarely employed in western democracies, genuine opportunities for opposition voices to be heard. While this might be construed as undemocratic, Fidesz argues that the undemocratic approach would be to let the government's foreign and domestic opponents stall the government that the people have elected.

This chimes with a key feature in Zakaria's version of illiberal democracy. A liberal democracy imagines inherent and substantial limits on the powers of a temporary majority to prevent a "tyranny of the majority," while Fidesz's interpretation allows very few such

limitations. Narrowing the constraints on the government's latitude to shape public affairs is in fact one of the key Fidesz objectives and presumably also a major component of Orbán's illiberal democracy. The governing majority in this interpretation is not a temporary mandate granted by a prevailing coalition of voters but an enduring expression of the national political will.

As in the Kötcse speech Orbán's understanding of liberal democracy will only take on a discernible meaning with hindsight. It is probable that the prime minister himself is only dimly aware of his ambitions. Whatever Orbán may or may not have meant, however, in many respects the contours of an illiberal democracy a la Fidesz are already clear as we have seen. The question is merely how far Orbán wants to take the idea of limiting "outdated western notions" of democratic competition, and whether whatever is left at the end will still be called an illiberal democracy or just a plain old dictatorship.



## 4.3 | Fidesz and the media: Operation capture, control and contain

Fidesz's long-term strategic goal is to take direct control ("capture") of significant segments of the domestic media, and to ensure that residual segments are limited in what they can or dare report (indirect content control). The intransigent few who remain face a perilous risk to their financial viability or a loss of reach by limiting access to traditional channels ("containment").<sup>1</sup>

The first major instrument in this overarching policy was the media law adopted in 2010, which threatened press freedom with a combination of vaguely defined requirements, large fines and an exclusively Fidesz-controlled media authority with wide-ranging powers to penalise media companies which are perceived to be critical of the government. Given that the media law was one of the few areas of legislative abuse that evoked justifiably strong (and justified) international reactions, the government has found itself under close scrutiny, thus the Media Council has cautiously exercised its prerogative to levy fines.

Rather than fining the media into submission, Fidesz's media policy has become more complex. As part of the capture and containment strategies, the media regulatory framework is primarily used to manipulate the electronic media market through the politically motivated distribution of broadcasting licences and frequencies. The main tools of content control are financial pressure; other instruments include excessively strict libel laws intended to insulate politicians from criticism.

### A gradual process: Fidesz takes direct control of media outlets

Even before winning power, Fidesz had, via influential businessmen closely aligned with the party, amassed a sizeable media empire including two political television channels, radio stations, internet portals and several print publications (including one set up exclusively with government funds during Fidesz's first term).

Upon taking the reins of government in 2010, Fidesz quickly moved to bring the public television and radio broadcasters under its influence. The assessment of all independent media outlets and media NGOs is that this has resulted in blatantly politicised reporting. Former staff members who were fired in the process and anonymous sources inside public media outlets confirm that this is the result of conscious efforts to streamline editorial offices. This politicisation has resulted in clear instances of manipulation – the most extreme being a press conference where MEP Daniel Cohn-Bendit was portrayed as leaving immediately after being asked a searching question, whereas in reality he left half an hour later; the video coverage of a well-attended opposition demonstration showed an empty street nearby; and visually obscuring the face of a former chief justice whom the government considers an opponent at a charity event. It is important to stress that such scandals rarely resulted in penalties; in effect those involved were rewarded. For example, the editor responsible for falsifying the Cohn-Bendit video, Dániel Papp, was, after a deliberately symbolic slap on the wrist, rapidly promoted through the ranks and is now the director in charge of all content services in the public media.

There have always been varying degrees of political influence over the public media, but former employees claim that such pressures had become markedly relaxed before Fidesz's return to power in 2010. There were certainly no stark imbalances in coverage, and while this necessarily involves a subjective assessment, many perceive that under Fidesz political bias has reached unprecedented heights since regime transition.

Fidesz has also significantly improved its positions in the commercial electronic media market. The focus of this extension of media interests has been the nationwide television channels, RTL Klub and TV2 (owned previously by a subsidiary of the ProSiebenSat1 Group), which despite falling ratings draw by far the highest number of viewers in both entertainment and news categories. While a bid to take over financially lucrative RTL Klub failed, TV2 – already managed by a CEO, Zsolt Simon, who has strong ties to Fidesz (e.g. a bookstore owned by Simon had previously served as a venue for the collection of signatures for Fidesz candidates) – was a more promising target, especially after the government discouraged potential buyers (primarily the Swedish Modern Times Group) by raising the idea of a media tax in 2013. Just before Christmas 2013, TV2's owners sold the channel to Simon and the CFO, Yvonne Dederick. The deal was a curious one in that the owners of TV2 extended a credit to the purchasers which was to be repaid from future operational profits – this from a channel that has long been unprofitable. For Fidesz, the deal has been beneficial: TV2's popular news show, *Tények* went from having a pro-government slant to heavily favouring Fidesz in its reporting.

In the radio market hegemony was achieved through a mix of the acquisition and access control methods. The most scandalous media deals since transition took place in 2009, Fidesz and MSZP each took over one of the two national commercial radio frequencies that had been used profitably by successful foreign-owned stations. The president of the media authority resigned over the deal, and even Prime Minister Gordon Bajnai indicated

his displeasure. The two politically connected companies won the coveted national frequencies despite making financial promises which an expert opinion by Corvinus University of Budapest deemed utterly unrealistic – correctly, as later developments revealed. In an opportune twist for Fidesz, Neo FM, the station owned by a company with ties to the left went bankrupt in 2012, leaving only the right-wing station, Class FM in the national market. The Media Council decided not to issue a tender for the frequency used by Neo FM, and instead awarded it to a public radio station, leaving Class FM in a monopoly position as the only nationally broadcasting commercial radio (a subsequent legal amendment by Fidesz allowed Class FM to escape the financial pledges which had served as the original grounds for awarding it the frequency).

This was complemented by an aggressive policy of redistributing regional and local radio frequencies to religious non-profit stations – assumed to be politically sympathetic to Fidesz – and businesses with ties to the governing party. As part of their agreements with the media authority, most if not all of these broadcasters receive and air centrally produced news from the public media, thus effectively giving Fidesz control of most radio news, public, civil and commercial alike.

This frequency redistribution process reached its peak in repeated efforts to deprive the only opposition radio station, Klubrádió, of its frequency. This was the most conspicuous attempt to contain the audience access of a critical broadcaster with independent editorial control. Between 2010–2012, Klubrádió submitted 15 unsuccessful tender applications to either retain or expand its coverage area, with the Media Council repeatedly declaring the entire tender invalid (by comparison: Lánchíd Rádió, one of several right-wing stations, won 13 frequencies to expand its coverage). The Media Council repeatedly sought to divest Klubrádió of even its core Budapest frequency, at one point invalidating the station's application citing a relatively minor formal error, while awarding the frequency to an unknown company with no background in

<sup>1</sup> Though they are not individually marked as such, many of the facts mentioned in this analysis were collected from studies and reports compiled by MerteK Media Monitor, a media policy NGO in Hungary.

radio and which had even failed to complete half the application form. The courts found consistently in favour of Klubrádió and set aside the Media Council's decisions. For a while it appeared that they would ignore the relevant rulings. It is rumoured that only foreign pressure prevailed upon Fidesz to allow Klubrádió to continue, albeit, with a significant reduction in its reach within Budapest and a complete loss of access outside the capital.

## Pressure on electronic media through financial instruments and regulation

Where direct acquisition was not possible, Fidesz often sought to control reporting through financial pressure or other regulatory means. The most striking example was what is widely considered to be the takeover of one of Hungary's top two news portals, origo.hu, which is owned by Deutsche Telekom subsidiary Magyar Telekom. In one of the major investigative scoops this year, origo – which had never previously been accused of bias in its coverage – reported that János Lázár, in charge of the Prime Minister's Office under Viktor Orbán, had spent a fortune on undisclosed brief foreign trips (Lázár claimed the trips were secret service related, though that does not explain the price tag). Shortly thereafter, Editor-in-Chief Gergő Sáling was dismissed. Most non-Fidesz media believe that the government exerted financial pressure to force Telekom into removing Sáling, and many within origo's editorial office agreed: the entire politics and video departments resigned in protest, as did half the business section and several other journalists, including Sáling's deputy. Immediately after this episode, Telekom won a massive public contract from the government.

The direct intention was not to take de facto control of origo, yet this was one of the advantageous corollary effects. More importantly, Sáling's removal shows that critical investigative reporting can incur high personal costs, and it is a clear demonstration that no position in the media, however powerful, is beyond the tentacular reach of Fidesz. In a media environment where job and financial

insecurity loom large anyway, and self-censorship is ingrained for both cultural and existential reasons, this is an unmistakeable message.

Bringing financial pressure to bear is yet another mechanism, financial solvency is guaranteed if editorial offices abide by Fidesz expectations. Depriving critical media of the funding it needs to investigate, report or disseminate news acts as a further form of containment. Money can also serve to simply enhance the market positions of government-friendly media outlets, achieving growing government influence over the news market through less conspicuous ways.

The most straightforward method is the allocation of government advertising budgets, which often play a critical role in a financially volatile media market still reeling from the impact of the 2008/2009 crisis. Government advertising and other media subsidies have always played a critical role in Hungary, and whilst they previously veered to the left but were far from completely out of balance, now they are almost exclusively awarded to the politically loyal.

Even more effectively in the case of electronic media, the government is also steering commercial advertisers directly and indirectly away from "sponsoring" critical media through advertising. In a country where public contracts are often crucial to the survival of undercapitalised domestic companies, and where foreign-owned companies have been subject to arbitrary taxes tailored to harm them in particular, marketing departments are acutely aware of the need to factor in the likely financial consequences they may face when making decisions on allotting advertising spend. Klubrádió has been especially hard hit by the departure of commercial advertisers, and continually teeters on the edge of bankruptcy. It was also the subject of the most blatant example of pressure on a commercial advertiser. One of the few remaining businesses running ads on the station, a taxi company, one day suddenly found that its most crucial asset, a memorable

phone number had been given to another taxi company without prior warning, almost leading to the ruination of the company.

## Media policy decision of 2014: the advertising tax

Yet, popular mass media are difficult to control in this way because of their importance to advertisers in reaching consumers. An attempt to influence this lies behind the most important media policy decision of 2014, the introduction of the advertising tax (in line with its colloquial name, which better reflects its purpose, we will also refer to it as the media tax) clearly has the most influential independent television channel, RTL Klub in its sights.

As with many other singular or windfall taxes introduced in recent years (principally the retail and banking taxes), the media tax was also carefully constructed to disproportionately harm businesses that have no ties to the government and/or are foreign-owned. Thus the taxes simultaneously serve as instruments of 1) revenue collection, 2) political pressure (there is always the possibility of tightening the fiscal screws) and 3) of bettering the market positions of politically favoured businesses. The primary objective is adaptable; in the case of the retail and banking taxes, objectives 1 and 3 were most important, while the media tax – which brings in far less money – is primarily a pressure instrument meant to break RTL Klub.

This progressive tax means that media outlets pay 0% up to 0.5 billion forints (1.7 million euros) in advertising revenue, 1% on any revenue between 0.5 billion and 5 billion forints, 10% on 5-10 billion and 20% on 10-15 billion, and 30% on revenue between 15 and 20 billion Forints. Income over 20 billion was originally proposed to be taxed at 40%, but was later amended to 50%. Only RTL Klub falls into this category, and is projected to lose more than half its advertising revenue in tax. To make the message clearer, however, the government subsequently amended the

law to allow the unprofitable TV2 to reduce its payments through write-offs.

Yet the tax backfired spectacularly. Although RTL Klub's news show had not hitherto been government-friendly, it was also not in any real sense critical. It was completely apolitical, focusing almost exclusively on tabloid stories. Since the introduction of the tax, however, it has pivoted in a sharply anti-government direction, producing the only major news shows that are willing to offer a meaningful critique of government policies and scandals. Moreover, despite projections that RTL Klub would scare off its presumably tabloid-addicted audience and lose ratings, RTL Klub's news seem to be doing fine (in fairness there may have been some shifts in the composition of its viewers). Crucially through, this advance into previously ill-informed key segments of the population was surely not what the government had in mind. Yet the question is whether RTL Klub will persist when the government either turns the screws even tighter or strikes a deal with the channel to end the tax burden. For now, the frontlines are hardened, with Fidesz repeatedly lashing out at the channel and RTL Klub relentlessly reporting embarrassing news. In fact, the government has also recently decided to legally cut off RTL Klub's potential escape route, a plan to convert into a fee-based channel which would make it less dependent on ads (this may also be inconvenient for TV2, which had entertained similar notions).

The advertising tax was widely criticised by all media players, even most of those who are otherwise loyal to the government. And while it is true that it hurts all but the minor outlets, it is at the same time also a fact that its costs are borne disproportionately by one particular outlet, and that government-friendly media have many ways of compensating for lost revenue, while those opposed to the government will find it much harder in the current market climate.

Moreover, while the Media Council has been remarkably relaxed about applying vague stipulations in the media law, sometimes it did make conspicuously problematic decisions. Following a libel



charge by the far-right Jobbik party, for example, Hungary's high court, the Curia, affirmed the Media Council's ruling against the only left-wing TV channel ATV because the latter's anchor referred to Jobbik as a far-right party, which the Council and the high court saw as impermissible editorialising by a news show. Instances such as these make courageous reporting very difficult, in fact they make honest reporting courageous. Incidentally, this example also raises the interesting question of how the Media Council will react if it ever engages the recent case of a public media news anchor who interrupted his news reading with a harsh attack on other media for failing to properly report what he sees as the government's extraordinary economic success – unlike calling Jobbik far-right, this was an obvious case of editorialising.

## Internet remains a diverse forum of independent news

In summary, Fidesz's policies do not constitute a rapid "*Gleichschaltung*" of the Hungarian media but a gradual process of continually expanding the ruling party's influence across the entire media spectrum, while constricting through a variety of instruments the space for independent and critical media outlets and reporters. Though this process has not been without its setbacks – see for example the EU's reaction to the media laws and RTL Klub's late conversion to a belief in producing genuine news – it is highly effective overall. The Hungarian media is becoming dangerously monochrome.

It is crucial to point out, however, that while Fidesz has a near hegemonic position in the radio market and a vastly dominant position in the television news market, political reporting on the internet remains fairly diverse and spirited for critical and/or independent news. On closer inspection, however, the reality of this diversity is less encouraging. First, there are still comparatively few jobs in this sphere that offer journalists a financially secure career. Most of the online media is free and on a volatile financial

footing. Second, online media fails to reach critical voter segments, especially the rural and poor populations – the former tend to support Fidesz while the latter tend to abstain. For Hungarian public discourse to become lively and democratic, critical reporting and opposition opinions would need to reach these strata as well, but a diverse online media cannot achieve this on its own. Finally, much of the diversity in online media is due to an extremely vibrant far-right scene, which is probably the most successful of its kind in Europe and beyond in terms of the share of the population it reaches and influences. This has played a key role in reinforcing the spread of extremist views in Hungarian society, which are on the verge of becoming mainstream.

Nevertheless, the government is obviously still trying to figure out how to rein in an irreverent online news scene, and a recent proposal to tax internet consumption was widely perceived as another instrument meant to serve its long-term media strategy. Apart from the financial burden, this perception also played a role in the surprisingly intense social reaction.

Initially, the government proposed a tax of 150 Forints (50 eurocents) per gigabyte of internet traffic, which is exorbitant for many users. Hardly had the announcement been made when it was changed fairly radically, the government now stated that the tax would be capped at a relatively modest 700 forints for private users and a rather hefty 5,000 per business subscription. Though the general perception was that the government introduced the cap in light of the widespread outrage, it claimed that this had been the plan in the first place and the unlimited tax had been an error (it is true that the revenue projections were widely understated for a tax without the cap, though sloppy calculations are also not unusual). While 700 forints is relatively modest, the fact is that added to 27% VAT – the highest in Europe – the tax content in the price of cheaper subscription plans could easily have reached around 50%. There is little justification for such an excessive tax burden on a type of consumption that – rhetorically at least – even the government believes should be more widespread rather than limited.

The concession of capping the tax proved to be too little, too late, however. The very idea of taxing the internet appears to have triggered the kind of popular outrage that Fidesz is unaccustomed to. Not because of the masses that demonstrated against the tax – the sheer numbers were unimpressive compared to pro-Fidesz rallies – but on account of their ferocity, which the traditional left-wing anti-Fidesz demonstrations do not display. This was not the traditional anti-Fidesz crowd, however, but an unusual mix of youths – including some far-right sympathisers, the apolitical, as well as classic left-wing protesters. While the internet is truly a sensitive topic, and critics are right that impeding access is the worst possible idea in terms of Hungary's modernisation, the demonstration was clearly also an expression of all-round disappointment with both, the policies limiting democracy and political rights as well as the pervasive austerity measures. It was widely believed that the tax might be somehow translated into political control, which is unsurprising in light of the accretion of evidence pointing to a coordinated approach to media management. It was speculated that the tax would be used to bankrupt commercial ISPs, who would be replaced by a state provider that could offer a "free" subscription package, with some content limitations, however. And of course it would allow the collection of

detailed information about individual surfing habits which might come in handy for a party whose campaign manager once boasted about the quantity of information it collects on citizens.

This was probably also the reason why Fidesz decided not to react in the customary way, which is to either ignore or even ridicule popular resistance. Instead, government politicians admitted that the tax was insensitive, some criticised it outright, and the right-wing media quickly decided admitting defeat to be the least damaging response. Though we will probably never know how it played out in detail, Orbán and his advisers might have assessed that giving the weak and fragmented opposition such a potent issue to rally around was not a good idea. So shortly after suggesting more consultations on the issues, the government abandoned the introduction of the tax. Officially, this is only a delay, but most commentators – including some Fidesz politicians – believe that Fidesz won't tempt fate by revisiting it.





## 4.4 | Civil society under pressure

It would not be entirely fair to say that Fidesz's relations with civil organisations have always been fraught with conflict. For the most part, they have been characterised by intense criticism of certain government policies by some NGOs and the governing party's public disregard for anything they had to say. When Fidesz was in opposition before 2010, its website regularly featured gleeful references to reports by Hungary's most active NGOs. Several of these organisations, such as the non-partisan Hungarian Civil Liberties Union (TASZ) or the Helsinki Committee, and the anti-corruption watchdog Transparency International, were often harsh critics of the previous government's policies, which made their reports - if not the organisations themselves - popular talking points on the right.

### Hungarian NGOs portrayed as bogus civil organisations

After 2010, references to criticism of government policies disappeared from the Fidesz site (which may not be ideal, but is certainly understandable and not unusual politically). There were very few references to TASZ, for example, after 2010, and all were harshly critical. Fidesz spokesman Péter Hoppál referred to TASZ and a variety of other major Hungarian NGOs as "fake civil organisations" citing a report in the Fidesz affiliated weekly *Heti Válasz*, implying that they were political front organisations for George Soros's attacks on the Orbán government. Essentially, the government pretended that these organisations did not exist even as they offered some of the most stinging critiques of government policies.



The government's approach made sense, for there were plenty of more prominent enemies to villainise: the Hungarian Socialist Party, former PM Ferenc Gyurcsány, the European Union, 'left-wing judges', the 'left-wing media', etc. While Fidesz never minced words when it came to attacking enemies, it is also a big believer in salami tactics. Concrete measures against enemies real and perceived are taken gradually, spread out over time, to ensure that at any given point the impact will be on a small group. In light of the prevailing weak sense of solidarity in Hungary, such a strategy allows Fidesz to assail its opponents, political and civil, piecemeal, without having to fear a combined backlash by the relatively large group of stakeholders they have lashed out against over the past few years.

Any astute observer of Hungarian politics would have been able to guess that with Fidesz's previous enemies mostly contained or marginalised, it might at one point make an effort to rein in the most active NGOs, whose criticism had become increasingly vociferous, which arguably only reflected the growing radicalism in the government's efforts to limit democratic rights, marginalise the poor and curb public discourse etc. Still, when it came to act, Fidesz chose a surprising target with great suddenness.

Two major questions remain unanswered. Why did the attacks come in 2014 and why were they aimed at little-known foundations in charge of administering the Norway NGO Fund in Hungary rather than one of the major NGO players, such as TASZ? It is unlikely that there will ever be a definitive answer. The timing probably had some specific underlying reason, but it was also made possible by the fact that there were no other major ongoing conflicts that might have mobilised large segments of the public. As far as the selection of targets is concerned, it may have been inspired by the amount of money the Norway Fund wields (it is both a lot to put in the wrong hands and a lot to lose for Fidesz-friendly civil organisations) and the notion that one does not need to attack TASZ to warn all NGOs. Picking a major target might inspire a more determined international and public response,

while a minor target will get the same point across without the backlash.

And indeed, whatever the underlying reasons for the government's actions, their message is plain. The way in which the government acted was very intimidating to the organization's staff, and the implied threat in the aggressive methods used by the authorities will not be lost on those who work for other, maybe more prominent, NGOs, nor on those who might have professional objections to government policies and feel that working in the NGO sector could enable them address these problems in public. The raiding of the affected NGOs' premises as well as those of an accountant and even a staff member's private home by armed officers signal clearly that one might easily be treated as a criminal. The deliberately impossible deadlines for responding to the authorities data requests also demonstrated the indiscriminate nature of the proceedings (as one of the affected NGOs, Ökotárs Foundation, pointed out, on several occasions the investigating authority's request gave them a deadline of three days to submit data - starting with the day the request was mailed, however, so in effect they usually had one).

Moreover, the authorities' main target, Ökotárs, has also argued persuasively that the Government Control Office (KEHI) had no authority to conduct the investigation that set off the entire chain of events. Based on the agreement between Norway and Hungary, the financial audit of the Norway NGO Fund is up to the donor country and not Hungary. KEHI's auditing privileges are limited to the substantial chunk of Norwegian money distributed by the state.

## Conflict with Norway over NGO funding

At this point the conflict has turned mostly into a foreign policy entanglement because the domestic NGO sphere is not strong

enough to mobilise in support of its embattled actors. Many major NGOs have repeatedly and emphatically protested against the government's actions, and several high profile organisations have left the government's human rights roundtable, which serves as a forum of consultation with the civil sphere. Yet this did not have a major impact on public life and the government carries on regardless.

The international reaction, however, is stinging. Relations with Norway have predictably soured, with the Norwegians repeatedly protesting what they rightly perceive as the harassment of NGOs with which they have long productively collaborated. As the government in Oslo emphasises, the right to audit Ökotárs and the other foundations involved belongs to the donor country. The Hungarian government has sought to convince its Norwegian counterparts that the actions of its Hungarian partners are both politicised and involve financial irregularities, but since the Norwegians have not come around on this issue, the Fidesz-dominated right-wing press has added Norway to the long-list of nefarious anti-Hungarian enemies. Articles highlighting the Nordic country's evil ways appear regularly in pro-government media.

Hungary's ambassador to Norway, former foreign minister Géza Jeszenszky, resigned his office as a result, and this was symbolic in itself. Although Jeszenszky is a pro-NATO and pro-US moderate conservative, whose positions contradict Fidesz's own in many respects, he did not become alienated like many of his moderate ilk over recent years, resulting in his appointment to the Oslo post. It is clear that Jeszenszky's withdrawal is widely perceived as an admission that he was unable to represent the government stance.

Yet this conflict is not limited to Norway. It played a major role in the controversy surrounding the confirmation of former foreign minister (and long time Minister of Justice) Tibor Navracsics as EU Commissioner, and has led to increasingly staunch criticism from the US, including a rebuke from President Obama himself. The government clearly guesses that it can sit this out, as it has plenty of conflicts with the international community in the past. That is likely true. The fortunate thing for the government is that while its attacks may not serve to intimidate major NGOs immediately, they may well have an effect on smaller organisations and on future generations of job seekers. If qualified applicants are looking for a job where enduring police raids is not part of the job description, TASZ and the like have become less appealing now.





## 4.5 | Outlook for the economy and society in 2015

The most important question in 2015 is whether the minor economic miracle that so decisively shaped 2014 and the three elections held this year, and which was a major factor in Fidesz's electoral success, will persist into 2015. There are signs of a slowdown already, even if pro-government analysts assess it as temporary. Fidesz-friendly Századvég forecasts, for instance, 2.7% growth, only slightly below the 3.1% expected for this year. Other organisations see a rate of 2% as more realistic.

Major question marks also surround the budget, which Fidesz has kept stable for the past few years, earning the lifting of the EU's longest excessive deficit procedure in the process. Yet it has achieved this tenuous stability at the cost of innumerable stopgap measures on sizeable segments of the economy. The money taken from the nationalisation of private pension funds was squandered quickly, public debt has not been reduced significantly, and though the state is richer by the acquisition of a few enterprises it has little need for or expertise to manage, the price is a volatile fiscal position. It may or may not implode next year or in the years thereafter, but it is something to look out for, as is where the government will reach for more money when the budget fails to balance.

The Hungarian public is extremely sensitive to monetary matters, and the Orbán government is dependent on a coalition of ideologically committed right-wingers and electorally highly active upper-middle class voters who have done well in the past four years. This has worked well thus far, but when the sacrifices pile up with no apparent economic benefit as was the case in 2011



and 2012, the government's popularity could be jeopardised. Seen from the perspective of a four-year parliamentary cycle, 2015 may easily be the least relevant year, but in terms of assessing the question of whether the Orbán government has laid the foundations of sustainable growth or merely temporarily halted inevitable decline, it remains a very relevant question indeed.

Other things to watch out for are statistical gimmicks. Though the government has not publicised this widely, the decision about including Hungarians working abroad in domestic employment statistics was at least something that the public was privy to. An unusual delay in publishing annual poverty statistics is more problematic. This data is critical in judging the performance of the government in an area where independent analyses suggest policy is failing terribly.

Poverty is increasingly emerging as the single most important social issue facing Hungary. The Orbán government's policies have systematically increased the gap between rich and poor, which has resulted in alarming levels of relative deprivation not only in comparison to far wealthier western societies, but also to neighbouring countries with comparable per capita GDP. The objective would appear to be to control this essentially Latin American distribution of wealth and social model with a political structure that facilitates the political participation of those that benefit and discourages interference by those who profit little or nothing from this arrangement. The question is how the government will react if the impact of poverty becomes a politically lethal issue. An election-free 2015 may not be the year when this happens, but it is one where we might see some strategic answers emerge. Most importantly, sooner or later the government will have to decide whether to take more aggressive steps to effectively disenfranchise the have-nots or to begin alleviating poverty.

# Conclusion

## Fidesz: a successful year ends on a bitter note

Fidesz had announced that the era of relentless reform is coming to an end and would soon be replaced by a period of consolidation. Yet major new changes keep coming. This year saw a sweeping energy deal with Russia which will define Hungarian energy policy for a generation, an advertising tax, higher taxation on retailers and a botched attempt to introduce an internet tax, ending in a rare tactical withdrawal. Furthermore, recently it emerged (more or less by accident) that the government is also planning to revisit one of the most controversial reforms, the church law, which has finally led to a frustrated outcry by the primate of the Catholic church in Hungary, Cardinal Péter Erdő. The Catholic church is generally considered sympathetic to the government and has benefited greatly from Fidesz's benevolent attention and the new church law which is crowding out more recently established and minor churches. After taking over an increasing number of schools from the state, even Erdő is now protesting the magnitude of the state's "outsourcing" of education to ecclesiastical institutions. The cardinal also fears for the state's religious neutrality. In Hungary it has fallen to the head of one of the most favoured churches to voice concerns about the government's abandonment of secular principles.

At the same time, 2014 clearly also offered signs of what the government meant by consolidation. The three elections held this year resulted in clear popular victories for the governing party, but at the same time they also unleashed the full force of

the problematic changes that the government had instituted to manipulate the democratic system. Fidesz's media dominance was at its peak (this was before RTL Klub turned against the government) and the opposition lacked access to sizeable and electorally critical sections of voters. Restrictions on campaigning (in both time and space) and an absurd campaign funding scheme also made it difficult for the opposition to reach voters. The various amendments to the election law, which all favoured Fidesz, also proved highly effective, preserving the governing party's two-thirds majority in Parliament despite an almost 10 point drop in its vote share among voters who live in Hungary itself.

The governing party granted itself other advantages as well. To complement its dominance in the media it created a vast publicly funded government "information" campaign, which was pure election propaganda that even visually resembled Fidesz advertising. Fidesz also used its influence over the Prosecutor's Office and the clandestine services to launch well-timed investigations against opposition politicians. The point is not that the information revealed, one allegation of corruption and the other involving spying, was fabricated or manipulated; it most likely was not. What makes these practices problematic, however, is the electorally sensitive timing for the release of information that seems anything but fresh, and of course the inability by the same institutions to uncover sleaze in a government that is subject to constant accusations by investigative journalists.

Fidesz would likely have been coasting to an election victory anyway, thanks in no small part to a robust economic performance in 2014, and the accompanying surge in consumer and business confidence indexes which were at levels unseen in a very long time. It is a certainty, however, that these substantial partisan interventions were all without exception necessary to preserve, by the thinnest of margins, exactly one seat, Fidesz's two-thirds majority, which is in turn the instrument required to continue the manipulation of the system. And if the past four years are any indication, the government will fully employ this instrument.

Consolidation can therefore be understood as further exploiting the unchecked and centralised powers it has created for partisan advancement in a variety of areas, foremost in the political and economic spheres, but also in society and culture. Until the municipal elections held in October, when Fidesz reasserted its control over most elected offices in the country, it seemed that the consolidation project was an unqualified success. Some recent developments, however, might make the realisation of Fidesz's aspirations more difficult than previously assumed.

Since the opposition in Parliament is numerically negligible, has few rights and is even not particularly successful in exercising its limited possibilities, there appear to be only two constraints left on the government's power. One is the foreign domain, which was actually more restrained in 2014, at least until the fall, when American pressure intensified openly and German pressure was alleged to have increased behind the scenes. This appears to have had an impact on one area Hungary's western foreign partners found increasingly jarring, namely Orbán's newly emerging alliance with Vladimir Putin. For now, Orbán seems to have become more circumspect towards Russia as a result of this pressure, but his commitments to relations with East and West are still open-ended. It is also unclear whether foreign pressure on Orbán will decrease once, and if, western partners are satisfied that Hungary is more committed to its western ties than to the recently rekindled relations with Russia.

What may truly hamper the government's efforts at consolidating its gains is the persistent protest movement that has emerged since it tried to introduce the internet tax. There are various interpretations of why now of all times many people appear to have become sufficiently fed up with the government to take to the streets. Though the protest seems slightly belated given the fact that Fidesz had just been confirmed in office for another four years, the realisation that people are going to be "stuck" with this government may well have been a major catalyst in frustrations boiling over. The problem in recent years has been that street protests generally appeared divorced from popular trends, often because the subject matters they addressed (in particular democracy and the rule of law) failed to stir the public imagination. That is no longer the case. As media reporting and public protests increasingly focus on corruption, nepotism and rising poverty, Fidesz's popularity is tumbling. In this respect, it may be worth mentioning an emerging media force, RTL Klub, which is now *the* major player in critical news reporting. The advertising tax, which was supposed to seal Fidesz's hegemony over the media market, has seriously backfired and has turned a politically neutral, apolitical outlet into the most potent anti-government power, at least for the time being.

It is still too early to tell whether 2014 was a year of successful consolidation or the point when consolidation began to unravel. Most likely it is neither, that is consolidation is far from complete, continuing aggressive action against NGOs and adversarial media indicate this much, and despite the apparent waning in Fidesz's popularity, the governing party is far from doomed. Fidesz is still in a very strong position to embrace policies that will either help it retain a parliamentary majority, or in a worst-case scenario for the governing party, at least consolidate its position in various "independent" governmental institutions and public administration to such a degree that it will effectively retain control over large segments of the government even if it were to lose its majority at some point in the future. Given three electoral victories, 2014 can easily be classified as Fidesz's most successful year since 2010, which laid the ground for the ruling party's dominance. Still, it is severely embattled at the end of 2014, and this might make it more difficult to enact some of the sweeping changes it is planning.





