



BULLETIN

No. 128 (723), 12 November 2014 © PISM

Editors: Marcin Zaborowski (Editor-in-Chief) • Katarzyna Staniewska (Managing Editor)
Jarosław Ćwiek-Karpowicz • Aleksandra Gawlikowska-Fyk • Artur Gradziuk
Piotr Kościński • Sebastian Płóciennik • Patrycja Sasnal • Marcin Terlikowski

Tightening of U.S. Policy towards Hungary: A Signal for the EU and V4

Dariusz Kałan

The United States has for a long time criticised the constitutional and structural reforms introduced in Hungary by the Viktor Orbán government. However, the rising tensions from the fall of this year in relations between the two countries were visible not only in American concerns about democratic standards in Hungary but also in the particular geopolitical context of the Ukraine–Russia conflict and EU sanctions on Moscow. The tightening of U.S. strategy towards Budapest also should be considered a signal to both the new European Commission and other Central European countries.¹

Washington's decision from mid-October to suspend the right of entry to the U.S. for six publicly unnamed representatives of the Hungarian government due to corruption is a precedent: the Americans have so far been using this instrument mainly against Russia within the framework of the Magnitsky Act, but have never implemented it against a member of the European Union or NATO. Moreover, this radical step was accompanied by open criticism by President Barack Obama, as well as one of his predecessors, Bill Clinton, along with senior officials in the State Department, of internal decisions in Hungary. For nearly a year and a half there has also been no American ambassador in Hungary, though this is associated with a prolonged nomination process. Television producer Colleen Bell was nominated for the position but is awaiting Senate confirmation after a poor showing in a hearing before the Committee on Foreign Affairs. Washington's very firm reaction, combined with other signals of increasing difficulties in the U.S.–Hungarian relationship, marked the autumn of 2014 as the lowest point since 1989 in contacts between the two.

Obama Administration Policy towards Hungary amidst the Ukraine Crisis. Despite friendly rhetoric and assurances of mutual partnership in both the bilateral dialogue and within NATO, Washington from the very beginning has presented a negative stance towards the constitutional and structural reforms prepared by the Viktor Orbán government, which, as stated in a 2011 report by Deputy Assistant Secretary of State Thomas O. Melia, “could solidify power of the ruling party, limit checks and balances, and unduly hamstring future democratic governments in effectively addressing new challenges.” The disapproval expressed by the State Department resulted mostly from the opinion of officials who were put in leading official and advisory positions during Hillary Clinton's tenure (2009–2013) and who were diplomats associated with the administration of Bill Clinton and involved in the NATO enlargement to Central Europe. The changes made by Fidesz, as well as Hungary's turbulent dialogue with European institutions and the International Monetary Fund, were interpreted by these officials as a departure from the solutions developed in the 1990s aimed at strengthening democracy in the former Eastern Bloc and rapprochement with the West. What also did not help the Hungarian government was its clearly negative image in major American media and lack of significant lobbyists around the Democratic Party and the president. This all resulted in a small number of state visits: during the second term of Fidesz (2010–2014), the highest U.S. representative to visit Budapest was the Secretary of State (June 2011), while Orbán appeared in America only once, at the NATO summit that was incidentally held in Chicago (May 2012).

¹ This analysis was prepared as part of the Kosciuszko Foundation Fellowship at the Edmund A. Walsh School of Foreign Service, Georgetown University in Washington, D.C. This publication does not reflect the position of any of these institutions.

Hungary on the Geopolitical Chessboard. Shortly after Fidesz's parliamentary victory in April 2014, the Hungarian government introduced restrictions on external financing for local NGOs, a step that prompted Obama to place Hungary among the countries where "endless regulations and overt intimidation increasingly *target civil society*" (from a speech on 24 September). However, the sanctions on members of the Orbán administration can be explained not only by concerns about democratic standards in Hungary but also geopolitical factors. From the viewpoint of U.S. interests and politics, of particular alarm was Budapest's turn to the east (its so-called eastern opening or Eastern Winds doctrine²), the original purpose of which was to stimulate economic relations with emerging economies in Asia and developing countries elsewhere, but which after the Ukraine crisis erupted took on new meaning in the form of political rapprochement with Moscow. Evidence of this was the invitation to Russian company Rosatom to be involved sans tender in the expansion of Hungary's Paks nuclear power plant as well as the country's very restrained response to Euromaidan, the annexation of Crimea, the war in south-eastern Ukraine, and EU sanctions on Russia. Another example of this shift was seen in anti-American statements made by leading politicians from Fidesz, including Orbán himself, who, in a famous speech on 26 July about "illiberal democracy," contrasted American liberalism with more efficient—in his opinion—political models in Russia, China and Turkey. Hence, it doesn't seem coincidental that the U.S. ban took place shortly after the government in Budapest temporarily closed its gas interconnector with western Ukraine and announced that in order to avoid problems with the European Commission it would prepare special legislation to release the Russia-backed South Stream gas pipeline from restrictions under EU law. Both these steps, announced just before the Ukrainian parliamentary elections, hit not only Kyiv but also Washington, which has been advocating for energy independence for Ukraine and opposes South Stream.

The Long, Hot Winter in Hungary. The U.S. ban is a long-term strategy, because Proclamation 7750 (2004) by the U.S. President declares that the names of the targeted officials may not be disclosed, which gives Washington the ability to play off this issue in the future and maintain the interest of the public. The Americans did not directly invoke Ukraine or South Stream for two reasons: first, it avoided accusations often formulated by Hungarian right-wing media of interfering in the country's internal affairs by releasing the decision after the end of the electoral cycle in Hungary; second, it takes up the sensitive issue of corruption among politicians, which can be used indirectly in late autumn or winter to stir up social angst, especially visible after the mass protests in Hungary in October against a plan to introduce a tax on internet usage per gigabyte. Moreover, if the current domestic and foreign policy track is maintained by the Orbán government, Washington possesses other instruments of pressure, for instance Budapest should expect problems with approval of a new ambassador to the U.S. in early 2015 (the unofficial candidate is Orbán's energy adviser, Réka Szemerkényi). A more radical and more painful tool, as Hungary's third-largest non-European trade partner and fourth-largest foreign investor, would be the introduction of economic constraints, including recommendations for American companies to stop investing in the country if governed by Fidesz.

It's Not Just about Hungary. The tightening in Washington's strategy towards Budapest should also be treated as a signal to the new leadership of the European Commission: it has been unofficially criticized for taking a passive position on the internal changes and re-orientation of foreign policy of Hungary under Orbán. The U.S. will likely seek agreement with Brussels on a common stance, or even expect the Commission under President Jean Claude Juncker to take the lead if the Fidesz government takes further actions, such as avoiding the EU legislation on South Stream, that openly challenge the policies of the EU. Given the allegations of corruption among Hungarian officials, the Commission may look at Budapest's management of EU funds and charge it with infringement of Community law if irregularities are discovered. As a last resort, the Commission should endeavour to undertake serious discussions with the Member States on the launch of the procedure under Article 7 of the *Treaty on the European Union*, a step that can be followed by taking away some of Hungary rights as a Member State. The international community must, however, remember that a side effect of this type of direct pressure would be an even stronger shift towards Russia and increased rhetoric from both the government and pro-Orbán media on the subject of leaving the EU (as has already been discussed by the Fidesz Speaker of Parliament). The firmer U.S. policy is also a warning to a few other Visegrad countries (V4). The statements and actions of some leaders, such as, for example, a speech delivered in Russian by Czech President Miloš Zeman in which he stated that Ukraine is a "failed" state, testify to the fact that Central European elites do not appreciate the importance of the Ukraine—Russia conflict and its direct threat to their own countries and region. It should be thus expected that Americans will become more engaged in the dialogue with their partners from Central Europe in order to develop a more uniform position on matters in the east.

² D. Kałan, "They Who Sow the Wind... Hungary's Opening to the East," *PISM Bulletin*, no. 37 (632), 19 March 2014.