



# Weekly Briefing

**Hungary External Relations briefing:  
Outlook for Hungarian External Relations in 2018  
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In 2018, the focus of the Hungarian Foreign policy will be set on relations with the **EU-institutions and other EU-countries**, not only because events organized around the 60<sup>th</sup> anniversary of the foundation of the European Community in Rome will primarily dominate the political agenda of the EU, but on the

- one hand negotiations on the new multiannual financial framework must be (almost) concluded at the end of 2018, and

- on the other hand, the French-German coalition to carry out fundamental reforms (f. ex. The euro zone, the E-budget, military cooperation) will be stronger in 2018.

**The primary goal of the Hungarian foreign policy in both cases is to formulate a negotiating position which will help secure further EU-transfers between 2020 and 2026 and put Hungarian national interests in the negotiation on reforms across.**

In the case of funds, however, it seems to be clear, that **the total amount of EU-funds earmarked for Hungary significantly will decrease between 2020 and 2026**. The communication of the Hungarian government already attempts to frame this new situation by projecting that the Central European countries will be net contributors to the EU-budget in medium term. The consequence of this new kind communication is that **the Hungarian foreign policy is more likely to use fast economic growth data as argument in the discussion in 2018 and the coming years**, interpreting these figures as clear signs of the economic power shift toward Central and Eastern Europe, as the Hungarian Prime Minister tried to depict a very favourable situation of the Central European countries: “In 2030, the European Union will in the most part be financed by Germany and the countries of the V4”.

Despite the rapid growth rate of the recent years, **Hungary, the Czech Republic, Poland and Romania only made up the 6.1 percent of the EU GDP in three first quarters of 2017**. It is easy to see that in general GDP per

capita figures in V4 countries' regions are below the 75 percent GDP per capita threshold, crucial in the intensity of the EU-support. Our conclusion is that the level of support will **not only** be changed by the rapid economic development of some convergence regions in Central Europe. (Convergence regions are those where the GDP per capita is below. Based on 2015 data, only 2 of the 7 Hungarian regions are above the threshold, i.e. GDP per capita is above 75 percent of the EU average.)

**But the change will partly origin from diminished willingness of Western European countries to finance economic development programmes in the Central European countries.** Therefore, the Hungarian diplomacy will do everything to diminish the predictable 'losses'. Since Hungary is interested in receiving generous EU-funds in the future as well, the **China-card** is likely to be used by the Hungarian foreign policy, as the Hungarian Prime Minister put it simply: "If the European Union cannot provide financial support, we will turn to China."

There are other fault-lines too in EU-Hungary relations. The European Commission launched **infringement procedures** in the following critical areas: EU migrant quotas, the transparency of foreign-funded NGOs and higher education. All cases must be followed up by the Hungarian foreign policy next year and need very careful treatment from the Hungarian government. And in addition to the already existing infringement cases, as we pointed out in our earlier analyses, Hungary is ready to fight for the case of Poland, against whom Article 7 was triggered last year well.

Usually, the Hungarian foreign policy is highly determined by domestic political events, but this determination will be more prevalent in the first quarter of 2018 when due to the parliamentary elections, **the Hungarian foreign policy steps will strongly support the domestic political campaign of the governing party.** So, the intensity how Hungary presses its earlier political agenda, won't change in the months to come. In particular, the Hungarian **migration policy** won't be altered. Since as we pointed out in our earlier analyses, the Hungarian

migration policy is endorsed by most electives, the topic will be on the table in 2018 and the Hungarian foreign policy is very unlikely to compromise on the migration issue with European decision-makers.

An additional aspect is that the **Germany** seems to reconsider and reformulate its view on the system of mandatory quotas how to share refugees across EU-countries. In this case, it will be much easier to Hungarian foreign policy to present their views and find a compromise with the Germans in other debated questions as well.

The **political deadlock after the German elections** seems to be unlocked by the slow formation of the great coalition, however, cooperation with the German Social democrats (SPD) seems to be a more complicated challenge to the present Hungarian government, though the cooperation with the CDU was not easy either. There are already straightforward signs of a new impetus to the French-German relations, and the close cooperation of the two major European powers enables a relatively fast euro zone reform. **A strengthened euro zone would also be a challenge to the Hungarian foreign policy since the attraction of the common currency is strong among Hungarian due its stability.** Reasonable economic arguments for the keeping own currency are easy to find, but it is more difficult to ‘sell’ them to the ordinary Hungarian, in this case effective communication and foreign policy arguments must be found.

After the Austrian elections, decision-makers of the Hungarian foreign policy could hope for more relaxed external relations with **Austria** since political ties were strained over the last years, because of differing approaches to mass migration. However, the Austrian Federal Ministry of Sustainability and Tourism (BMNT) plans to bring the European Commission in front of the European Court for allowing Hungary to expand its Paks nuclear power station. It is clear the Austrian legal action doesn’t influence the actual construction works in Paks, emphasized by the Hungarian Foreign Minister, however, **it will cast a shadow on the cooperation with Austria’s new Chancellor, Sebastian Kurz.**

The **V4 formation** will be a very crucial element in Hungary foreign policy in 2018, while expressing Hungarian and Central European concerns over steps leading to further EU-integration. In the Visegrad cooperation, the presidency of the Visegrad cooperation is held by Hungary between 1 July 2017 and 30 June 2018. Hungary is most likely to use the V4 formation to put strength to its views in 2018.

**Russian relations** are very likely to be put on ice for a while, at least for the first part of the year mainly because of campaign reasons. If the governing party can again form a new government after April 2018, there are **no reasons why new steps leading to further economic cooperation, in particular in the field of energy security couldn't be made.** While explaining the more appreciative Hungarian approach to Russia, the Hungarian foreign minister said: "It's very easy to put allegations on us from here, from the other side of the ocean, but you have to understand that if there's a country of 10 million people located a couple hundred kilometers from Russia buying 85 percent of its gas from Russia because of lack of infrastructure for anything else, you need to have a dialogue with them. A dialogue, period. Nothing more. A dialogue." **Thus, it is to conclude that the Hungarian position on Russia won't change significantly in 2018.**

In our understanding, the same procrastinating approach is likely to be applied to **China-Hungary relations in 2018**, however, caution is less needed, since – as we demonstrated in our earlier analyses, the Hungarian public opinion and opposition parties are much less sensitive about China relations than Russia relations. At the same time, it must be emphasized that **the China-card is likely to be used in the negotiations on the EU-transfers from 2020**, which seems to be a risky foreign policy strategy since it can lead to credibility loss of the Hungarian foreign policy in China.

The same **counterbalancing strategy** is also to be observed in **Hungary-US relations**, since the Hungarian foreign policy still makes attempts to strengthen its relations with the Trump administration, however, as we pointed

out earlier, the American political administration has very strong bastions of value-based foreign policy, and the Hungarian foreign policy clearly cannot foray in these bastions. Still the Hungarian foreign minister hopes for improving relations, adding that a **new period could come with the election of Mr. Mitchell, responsible for the Eastern European region.**

**To sum it up, the Hungarian foreign policy is very likely to focus more on EU than external relations outside the European Union in 2018, than over recent year. The main reason for that is the reinforced willingness of Germany and France to carry out sweeping EU-reforms together. Main means is the euro zone reform, the negotiations on the new multiannual financial framework of the European Union. The EU-budget can force ‘rebellious’ Central European countries to follow lead. The question the Hungarian foreign policy will try to answer in 2018, is whether additional funds to finance further economic reforms and infrastructural projects can be found outside the EU.**