



Weekly Briefing

**Hungary External Relations briefing:
Improving American and Hungarian Relations
- Is it Possible Scenario?
Csaba Moldicz**

China-CEE Institute

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Chen Xin

Kiadásért felelős személy: Huang Ping



1052 Budapest Petőfi Sándor utca 11.



+36 1 5858 690



office@china-cee.eu



china-cee.eu

The Dilemma of Interest-based versus Value-based Foreign Policy in the Hungarian Foreign Policy

This briefing looks at the dilemma Hungary is facing in shaping its foreign policy when it is forced to choose between interest-based and value-based foreign policy approaches. This dilemma is not new, since the history of the European political order can be described by the dominance of these alternating approaches. First, after the Westphalian peace (1648), a balance of power system was put in place in Europe, where the basic idea was a system where alliances, hostilities basically were based on the interests of the states, not different kinds of ideologies or faiths. The idea was powerfully and adequately summarized by the British Prime Minister, Charles Palmerston in the mid of the 19th century. He put this way: “We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow.”

This order was disrupted shortly several times, but it always recovered until the end of WWII, when the balance of power approach was replaced by a different approach in which common values shared by Western European countries were put in the center. For the time being, the functioning of the European Union is partly based on the idea of common values, specified in Article 2 of the Lisbon Treaty: “The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.” It might not come as a surprise but adherence to these values is expected from the member states. If not, article 7 can be triggered that in worst case can lead to sanctions and the suspension of voting rights. But as said the EU is only partly based on this idea, since the other part is derived from the

sovereignty of the member countries, and a well-functioning economic cooperation among member states.

The basic dilemma of the Hungarian foreign policy comes from a different approach as for the main purpose of the foreign policy. After 2010, the Hungarian foreign policy underwent a fundamental change, and as a result of this, interests are being more emphasized than values while shaping external relations of the country, at least compared to the period between 1990 and 2010, however this change in the foreign policy does not mean:

1. Decision makers of the Hungarian foreign policy between 1990 and 2010 pursued a foreign policy entirely relying on values.
2. Decision makers of the Hungarian foreign policy have implemented a foreign policy only focusing on economic interests after 2010.

The change only means a shift in the accents and this differently accentuated policy tries to separate domestic and foreign affairs. **Let's look at different cases where the interest-based foreign policy and its effects easily can be followed:**

1. Technology and capital. The core interests of the Hungarian economy push the Hungarian foreign policy to be pro-active in the attraction of foreign capital and technology. Last week (15-06-2018) the Hungarian government took the decision to prepare an action plan to attract foreign capital. The Ministry of Foreign Affairs and Trade and the Ministry for Innovation and Technology will finalize this action plan based on the proposals end of June. The efforts to attract more capital and technology are a typical feature of the interest-based Hungarian foreign policy. The need for diversification is apparent, therefore the direct investment of the Indian SRF group, that was officially announced this week, was set in the context of the Eastward Opening Policy by the foreign minister, Mr. Szijjártó. He underlined the success of the policy and tried to emphasize that in the new age of globalization capital and technology not only flow from West to East, but vice versa as well.

At the same time, Hungary is also able to attract foreign direct investments from Western European investments, mostly from Germany. Hungary can clearly benefit from investments and the European economic integration is being strengthened by these investments, however, it is very clear these are not based on common values, but mutual economic benefits. In this later case, the pursuit of the own economic interests leads to more economic integration in Europe, in the former, the pursuit of the own economic interests contributes to more word economy integration.

2. Unification of taxes in the European Union. The foreign minister while speaking of the above-mentioned investment of the Indian SRF Group, referred to the importance of low labor costs and taxes and the Hungarian dual higher education system in a European environment. In this context, the foreign minister underlined the Hungarian government will raise objection to plans to unify tax rates throughout the European Union. The idea which came up in the discussions on the next EU-budget, would reward the irresponsible economic policies, he argued. The foreign minister emphasized tax cuts are the results of good political and economic performance. The implementation of this proposal would only restrain the countries that did their homework and it would prefer the countries that became lax in their fiscal policies.

In our opinion, the case above clearly shows a clash of interests and values, since the logic of the European economic integration would dictate the continuation of economic integration, in the case the unification of tax rates (leading to a common tax system and possibly to a common budget), but on the other hand the core interests of the Hungarian economy are strengthening international and regional competitiveness. One of the key elements is a competitive tax system that attracts foreign capital and technology. If European countries implemented the same tax rates, investors would hardly prefer Hungary over Germany in their investment decisions. So, keeping the differences and taking advantage of them is a core Hungarian interest.

3. Free trade policies and protectionism. The foreign minister, referring to world trade disputes between the US, China and the European Union over recent months, made it clear that the Hungarian economy is dependent on free trade, since 75 percent of the Hungarian export is carried out with other EU-members and the Hungarian exports reach 90 percent of the GDP. In the second case – common interests in form of unified EU taxes versus Hungarian national interests – the implementation of Hungarian interests doesn't reinforce European economic integration; since for the greater good of the European community it can be argued, a common budget and taxation policy would be milestones to an 'ever closer European Union'. Notwithstanding, that Hungarian interests require the promotion and implementation of free trade policies leading to a more integrated world trade. In other words, the pursuit of national interests doesn't collide with efforts to promote more economic integration. That is the point which might help us understand that the pursuit of national economic interests per se doesn't stand in contrast with the greater good of the EU, and the world economy.

4. The Stop Soros package. The Hungarian Parliament adopted the so-called Stop Soros Package this week. The main purpose of the package was to tighten control on non-governmental organizations and civic organizations that focused on problems around the migration crisis in one way or another and restrict activities that went against basic national interests, they argued.

The promotion and establishment of a multicultural society is an outcome, that Hungarian policy-makers would like to avoid by all means, since migration, (especially of not European origin) seems to be detrimental to the cohesion of the society as Western European examples show us, they argue. That is a very clear case where core national interests override values shared by the member-states of the European Union. In this case, national interests are opposite to European interest, since the argument goes, it would be easier to tackle the problem of mass migration if there were common policies dealing with these problems. The simple fact that 26 European countries are members of the

Schengen area, vividly demonstrates why it would be easier to have a common migration policy than to deal with these issues on state-level separately.

To sum it up, this briefing could show by looking at recent cases, how interest-based foreign policy works in the Hungarian case. There are two important conclusions we can draw from these cases:

1. The pursuit of national interests doesn't have to be opposite to the greater good of the community of nations, and the European Union.
2. The interest-based foreign policy seems to be more adequate and better functioning in this development stage of world economy and world politics, however, there is a threat deriving from this approach. If there is a critical number of countries adapting this approach, the world order (in world politics and world economy) might suffer and ultimately crumble (the worst-case scenario).

In this context it is very obvious that there are special responsibilities falling on the shoulders of the main powers (like China and the US) when it comes to the maintenance of the world order as it is. In the European context, Germany and France are the countries that can not pursue an entirely interest-based foreign policy without threatening the European order.

http://hvg.hu/itthon/20180619_orban_migracio_Stop_Soros_kulonado

<http://www.kormany.hu/hu/kulgazdasagi-es-kulugyminiszterium>