



## **Weekly Briefing**

**Hungary external relations briefing:**  
**Foreign Policy Challenges for Hungary after the First Wave of the**  
**Covid-19 Pandemic**  
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# **Foreign Policy Challenges for Hungary after the First Wave of the Covid-19 Pandemic**

*Over the course of the last decade, the Hungarian foreign policy has consequently tried to diversify the country's relations both in trade and investments, however in the backdrop of the growing tensions between China and the United States, it seems to be more and more difficult to successfully balance between Hungary's long-term strategic interests and its current commitments. This briefing mainly focuses on the diversification attempts of the Hungarian foreign trade and policy based on the cooperation with selected countries. Along these attempts, Hungary strengthens multilateralism in the world politics and its commitment to free trade. The discussed countries in the briefing are Kyrgyzstan, Bangladesh, and Laos and although it is clear that cooperating with any of the aforementioned countries will not result in significant changes in the Hungarian trade or investment patterns, the combined efforts of the Hungarian foreign policy give fresh air for Hungarian firms looking for new opportunities.*

## **1. Globalization efforts in a more and more deglobalizing world**

One of the main dilemmas every country has to face is how to reconcile the benefits of the open world economy and the drawbacks of the same openness during the global pandemic. Trade is one of the foundations which our world is built upon, and which improves the quality of our lives. It seems to be very difficult to enforce this basic idea in an environment that is torn by efforts to decouple China from the rest of the world and attempts to reshape the global supply chains. China produced 28 percent of the global manufacturing output in 2018, therefore if the decoupling were to be successful, the world economy would plunge into a crisis lasting a decade or longer. Given this backdrop, it comes as no surprise that the Hungarian foreign policy efforts focus on keeping the world economy open and expanding international trade.

One of the main target regions seems to be Central Asia, where the potential for trade expansion is large. Last week, the Hungarian Minister for Foreign Affairs and Trade met the *Kyrgyz Foreign Minister* and other Kyrgyz partners in Budapest. The meeting prepared for the visit of the Kyrgyz President, which is going to take place at the end of next month. The Hungarian minister emphasized Central Asia's growing economic importance in the Eastern

Opening Policy of the Hungarian Government and he pointed out that the European Union drafted a strategy regarding this region too. He added when the Kyrgyz President arrives in Budapest, a strategic partnership agreement will be signed, which extends the cooperation between the two countries in education, economy, trade and international politics. The last country Hungary signed a strategic partnership agreement with was China. As a result of that strategic partnership, Hungary has become the most important investment target of Chinese hi-tech firms in Central Europe. The hopes of the Hungarian foreign policy are similar in this case too, and it intends to make the Hungarian and Kyrgyz cooperation the foundation of relations between the two regions.

Besides the strategic partnership agreement, the partners finalized two other agreements: one agreement on investment protection and a treaty for the avoidance of double taxation. The partner also agreed to set up an investment fund to promote Hungarian firms' investments in Kyrgyzstan, as well as for Hungarian and Kyrgyz common projects in third countries. Despite the global pandemic, trade has been booming between the two countries, in the first half of 2020 trade increased by 7 percent between Hungary and Kyrgyzstan, which shows the future potential of deepening economic ties in this relation.

As a result of the negotiations, the Stipendium Hungaricum programme was extended from the annual 75 subsidized student places for Kyrgyz citizens to 150 due to the massive over-application numbers. Regarding international cooperation, Hungary urged the completion of the EU-Kyrgyzstan partnership agreement, which has been negotiated on for a long time. Hungary also supports the efforts of Kyrgyzstan to become a non-permanent member of the UN Security Council and the UN Human Rights Council. The Kyrgyz Foreign Minister underlined the popularity of the Stipendium Hungaricum Programme in Kyrgyzstan and added that cooperation in the education and banking sector could be extended and improved, since Kyrgyzstan could be used as expansion field for Hungarian banks, he argued.

Diversification of trade and investment relations has been the underlying motive of the Hungarian Minister for Foreign Affairs and Trade when he paid a visit to *Laos' capital* Vientiane last week. The two governments agreed on starting an urgency loan program for Hungarian firms, the fund's agreed-upon value being 100 million Euros. Hungarian firms can use loans to carry out investment projects in the South East Asian country. Three sectors are specially targeted in the program: Hungarian firms are to participate in the construction of hospitals, the digitalization of postal services, and the development of the Laotian statistical systems. It was also mentioned that Hungarian firms have been present in the selected sub-sectors before, and investment transactions have been already ongoing in water management

(value: 100 million USD), the modernization of the statistical system (value: 25 million US), and building stock farms (value: 35 million USD). In the press meeting, the Hungarian side announced the opening of a new consulate in the capital city of Laos. Since Laos has faced challenges in water management for many decades, Hungary supports the education of Laotian experts in the field. The Hungarian side summarized the logic of the Hungarian Government this way: the goal is to broaden market access for Hungarian firms in Laos. Three conditions are (almost) existent, the financial condition is achieved, since the above-mentioned loan program will be provided by the Hungarian Eximbank, the legal condition will be met when the investment protection agreement between the two countries has been completed and the direct representation of Hungarian interests on the ground will also be achieved when the consulate is opened.

The Hungarian Minister for Foreign Affairs also paid a visit to Bangladesh this month. When describing the country, the minister underlined that Bangladesh is one of the fastest growing and most populous countries in the world and is a country in which market access for Hungarian firms is one of the key goals of the Hungarian Government. Similar to Laos, Hungary is about to open a consulate there as well, in order to strengthen the local presence of the Hungarian Government and to enforce the Hungarian interests. As a result of the negotiations with the foreign minister, trade minister and the prime minister, the next areas of cooperation were discussed:

- The two nuclear power plants of Bangladesh are in the construction phase now, they will provide power from 2024 or 2025. Since Hungary has experience with the training of nuclear power experts, nuclear experts from Bangladesh can be trained in Hungary and that is why the Stipendium Hungaricum Programme quota will be raised from 100 to 130 stipends.
- Medical technology and water technology were sorted out as cooperation fields with great potential during the negotiations.

Based on these examples, it is discernible that the Hungarian foreign policy strongly represents Hungarian business interests while paying detailed attention to non-business-related tools of foreign policy that can help improve bilateral ties and thus indirectly boost the enforcement of Hungarian business interests too.

The commitment to free trade practices and the maintenance of an open and globalized world was very clear when Liam Fox, British PM visited the Hungarian Minister in his office in Budapest. Mr. Fox was nominated for the post of the WTO Director-General by the British

Government. The Hungarian Minister underscored that the selection of the right nominee for this post is crucial for Hungary, since the country is one of the most open economies in the world and the country's share in the world trade is above the average that we could anticipate based on the number of the population.

### **3. Summary**

The above analyzed country cases are not the most urgent issues for the Hungarian foreign policy, however the detailed attention to those bilateral relations and the focus on opening new business opportunities reveal the clear long-term strategy behind these visits and efforts to deepen relations with (at this point) less relevant partners. When analyzing the European political landscape, the new Pact on Migration and Asylum proposed by the European Commission will need active foreign policy steps and concerted effort with the Visegrad countries whose first reactions to the proposal was rather mixed. In our understanding, the compromise will not be easy to reach, since the Hungarian side still argues for stopping migration and the EC still contends that we should deal better and faster with migration. The Visegrad 4 countries would like to achieve that migrants first apply for asylum and if their application is approved, they could enter the EU. According to the European Commission's proposal, migrants would have to wait for the final approval of their application in the EU. Although nuances are set differently in the new proposal, the basic difference in the point of view did not disappear, thus finding a solution will be an uphill battle for every partner involved.