



# GLOBAL GOVERNANCE INSTITUTE

## National Backgrounders – European Foreign Policy

### Country Profile

#### *Hungary*

<b>Capital:</b>	Budapest
<b>Geographical Size:</b>	93 023.7 km <sup>2</sup>
<b>Population:</b>	9 879 000 (2014)
<b>Population as % of total EU population:</b>	1.9% (2014)
<b>GDP:</b>	€ 97.948 billion (2013)
<b>Defense Expenditure:</b>	€ 912 million (2013)
<b>Official EU language(s):</b>	Hungarian
<b>Political System:</b>	Parliamentary republic
<b>EU member country since:</b>	1 May 2004
<b>Seats in European Parliament:</b>	21
<b>Currency:</b>	Hungarian Forint (HUF)
<b>Schengen area member?</b>	Schengen Area member since 21 December 2007
<b>Presidency of the Council:</b>	Once: in 2011

Source: Europa.eu

## GGI National Backgrounders – European Foreign Policy 2015

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**a. Political System**

Hungary has been a parliamentary republic since 1989. The country gained independence in 1918 but was under Soviet influence during the Cold War. In 1956, Hungary withdrew from the Warsaw Pact and started to liberalize its economy in 1968. The first multiparty elections took place in 1990.

The main executive power lies in the Cabinet of Ministers, while the President plays a ceremonial role. The President is both the Chief of State and Commander in Chief of the Army. Since 2012, this has been Janos Ader. The National Assembly elected him for a five-year term with the possibility of one re-election. His power lies in representing Hungary, dissolving the Parliament under special circumstances, proposing bills as well as sending acts to the Constitutional Court or back to the Parliament to reconsider. The Prime Minister acts as the head of government. Since 2010, Viktor Orbán, member of the right wing Fidesz party, has held this post. Elections take place by the National Assembly upon recommendation of the President. The Prime Minister's main role lies in determining the general policy of the government. The rest of the Cabinet is proposed by the Prime Minister and officially appointed by the President. Their competence lies in being the primary form of public administration and having to answer to the parliament. The centralization of power within the government has been under constant criticism since the Orbán government enacted many changes. The strong government was justified by being better able to represent the Nation's interest and achieve economic and social recovery.<sup>1</sup>

Hungary's legislative branch consists of the unicameral National Assembly with 199 members. 106 of those members are directly elected in single member constituencies while 93 politicians are elected through nationwide constituencies and a party list, for four years. This body enacts and amends law, adopts acts and the budget as well as recognizes international agreements. Thus, they also act as a counterweight to the government. However, this does not mean that they have any power over the strong Orbán government as the last two elections brought about a two third majority for his Fidesz party.

Hungary adopted a civil law system with a Constitution. This Constitution has been in effect since 2012 and has been source of criticism. The previous constitution existed since 1948 and was heavily revised in 1989 when the Communist regime ended. Nonetheless, it was abolished as the anti-communist government wanted to get rid of all Communist traces. Most changes occurred in the areas of electoral rules, broadcasting election campaigns as well as weakening human rights protection. Further amendments were made in 2013 giving less independence to the judiciary and limiting religious freedom as well as getting rid of several checks and balances. One has to see how much further the country will take these changes before the EU or somebody else involved in Hungary will start to react.<sup>2</sup>

The most important courts in Hungary are the Supreme Judicial Court, also called Curia, and the Constitutional Court. The Supreme Judicial Court is divided into a civil, criminal, and administrative chamber. As already mentioned before the president upon recommendation of the National Judicial Council appoints these judges. The National Assembly on the other hand elects the 15 judges of the constitutional court.<sup>3</sup>

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<sup>1</sup> "Hungary's Constitution of 2011", *Constitute Project*, 2015. Web. Accessed June 24, 2015. [https://www.constituteproject.org/constitution/Hungary\\_2011.pdf](https://www.constituteproject.org/constitution/Hungary_2011.pdf).

<sup>2</sup> n.a. "Hungary: Constitutional Change Falls Short", *Human Rights Watch*, September 18, 2013. Web. Accessed June 23, 2015. <http://www.hrw.org/news/2013/09/18/hungary-constitutional-change-falls-short>.

<sup>3</sup> "Hungary", *The World Factbook*, Central Intelligence Agency, 2015. Web. Accessed June 23, 2015. <https://www.cia.gov/library/publications/the-world-factbook/geos/hu.html>.

## b. Foreign Policy

Similar to the change in Constitution, the foreign policy underwent a big change with the new government. It emphasizes **nationalism** and is often called the **new Hungarian Model**. It has a focus on family, work, and justice, while also giving preference to “traditional” families over homosexual relationships. Hungary’s way forward is to apply special solutions to emerging issues and not the orthodox ones of international organizations. Thus, Hungary prefers to prioritise national instead of multilateral solutions.<sup>4</sup> This is also emphasized by the move to a more independent as well as **multidimensional foreign policy** with centralized control of domestic policies. Nonetheless, the foreign policy is formally based on the values of the UN Charter as well as the Treaty on the European Union.

The focus on a multidimensional policy means that Hungary is extending its relations to various regions. Especially relations to Russia have become closer, even if the Orbán government has always perceived cooperation with Moscow as a project purely based on economic interests, not on any strategic commitment. Two third of Hungary’s natural gas are exported from this Russia. As a result, Hungary allowed Russia to build the South Stream Pipeline through the country<sup>5</sup>. This “Russian pivot” took place in late 2014 when the pro-Western Fidesz party were side-lined following the elections. Hungary now has no foreign policy elite able to counterbalance the Orbán’s pro-Russia policy<sup>6</sup>. Besides Russia, growing relations with Latin America as well as with Asian countries show that Hungary is not only following a policy of Eastern opening but one of **global opening**.<sup>7</sup>

### *European Union (EU)*

Hungary’s relations with the European Union already began in 1988 and accession talks began in 1990. In 2004, the country achieved its primary foreign policy objective of EU membership. In recent times, Hungary had to face **criticism** from the EU mainly on the new Constitution as it was regarded as a move against Article 2 of the founding Treaty of the European Union emphasizing the importance of human rights and democratic values. Another area of conflict is migration, which Hungary wants to retain as they receive more immigrants than Italy or Spain. Hungary built fences along its borders with Serbia and Croatia<sup>8</sup>. In November 2015, Hungary's parliament has approved a resolution that rejects the European Union's plan to introduce a quota system to share refugees among member states<sup>9</sup>. All these policies show a gradual move away from the EU in line with the global opening of the country. One of their reasons for taking this route is to act in a coordinated and professional way in order to further their interests, which would not be possible in a currently chaotic EU.

<sup>4</sup> n.a. "Renewed Political System in Hungary", *Szazadveg*, 2014. Web. Accessed June 23, 2015. [http://szazadveg.hu/ld/v0k5t1m3g9n3x2s4p1w0\\_SzazadvegFoundation\\_HungarianElection2014.pdf](http://szazadveg.hu/ld/v0k5t1m3g9n3x2s4p1w0_SzazadvegFoundation_HungarianElection2014.pdf).

<sup>5</sup> Johnson, K., "Hungary Is Helping Putin Keep His Chokehold on Europe’s Energy." *Foreign Policy*, November 6, 2014. Web. Accessed June 23, 2015. <http://foreignpolicy.com/2014/11/06/hungary-is-helping-putin-keep-his-chokehold-on-europes-energy/>

<sup>6</sup> Hegedüs D., “How should Europe respond to Russia? The Hungarian view”, *European Council on Foreign Relations*, January 22, 2015. Web. Accessed November 16, 2015. [http://www.ecfr.eu/article/commentary\\_how\\_should\\_europe\\_respond\\_to\\_russia\\_the\\_hungarian\\_view406](http://www.ecfr.eu/article/commentary_how_should_europe_respond_to_russia_the_hungarian_view406)

<sup>7</sup> Field, R., "Hungarian Politicians, Experts Discuss Foreign Policy Issues", *The Budapest Beacon*. Web. March 12, 2015. Accessed June 24, 2015. <http://budapestbeacon.com/public-policy/hungarian-politicians-experts-discuss-foreign-policy-issues/20657>

<sup>8</sup> n.a. “Orbán warns of 'democracy crisis' in Europe over refugee quotas”, *Euractiv*, October 30, 2015. Web. Accessed November 16, 2015. <http://www.euractiv.com/sections/hungarys-orban-warns-democracy-crisis-europe-over-refugeequotas-319041>

<sup>9</sup> n.a. “Hungarian parliament rejects EU quota plan for refugees”, *Belfast Telegraph*, November 3, 2015. Web. Accessed November 16, 2015. <http://www.belfasttelegraph.co.uk/news/world-news/hungarian-parliament-rejects-eu-quota-plan-for-refugees-34167013.html>

Nonetheless, Hungary has several objectives and means that it would like to achieve within the EU. The specific objectives according to the official homepage of the Hungarian Government are:

- Supporting a stable Euro and an effective functioning of the financial sector as Hungary will eventually switch to the Euro once it has met all the conditions.
- Preserving the structural, regional and cohesion policies as Hungary greatly benefits from these especially from its funds.
- Preserving the Common Agricultural Policy in order to produce enough food for EU citizens and enact strict international guidelines to safeguard Hungary's own agricultural economy and be prepared for increasing food security issues.
- Revitalizing Europe by completing the internal market as well as forming an internally united and globally strong Europe.
- Paying attention to energy security and sustainability as well as focusing on energy policy by integration and external diversification.
- Preserving the human resources of freedom and wellbeing as a demographic problem is bound to occur meaning that dynamic family policies need to be enacted.
- Furthering enlargement to those states that fulfil the accession criteria in order to strengthen the unity and the common values of the EU. Hungary looks favourably at Serbia's application after issues with minorities groups have been settled. Turkey is seen as an important strategic partner, thus involvement should continue.

These objectives will be achieved by strengthening and asserting the European values, achieving equal membership of newer and older states, preserving existing achievements, and hindering further fragmentation by using consistency.<sup>10</sup>

Along with these objectives several priority areas exist. One of them is the single market. It is important for EU economic integration and the cohesion funds help making the EU more equal. Hungary was active in this part when they helped build a new patent system during their presidency. Moreover, the environment as well as biodiversity should be protected and Hungary is pushing to limit genetically modified food. Particularly important for Hungary is also the *Danube Region Strategy* for a sustainable development of this macro region. Members to this are Austria, Bulgaria, the Czech Republic, Germany, Hungary, Romania, the Slovak Republic, Montenegro, Moldova and Ukraine. A variety of programs are realized through projects to make it an economically strong and politically stable region.

The **Eastern Partnership Program's** view of bringing security to the region corresponds with Hungary's interests, as Ukraine is not only the biggest Eastern European country but also Hungary's biggest neighbour. Greece and Turkey are regarded as key partners for forming Hungary's Balkan policy. Hungary believes that the Baltic region underwent a lot of success in the last few years and was able to integrate into the Euro-Atlantic institutions. Thus, the region should also become a part of the European energy system<sup>11</sup>. Upon closer analysis of these objectives and means as well as recent criticism, it appears that Hungary mainly focuses on the policies that will further their national interests while still remaining civil towards the EU. This is especially clear in their reasoning for certain policies such as focusing on preserving the cultural heritage of the member states, thus keeping the national interests at heart.

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<sup>10</sup> "Europe Policy of Hungary", *Hungarian Government*, 2011. Web. Accessed June 24, 2015. <http://eu.kormany.hu/europe-policy-of-hungary>.

<sup>11</sup> "Priority Areas", *Hungarian Government*, 2011. Web. Accessed June 24, 2015. <http://eu.kormany.hu/priority-areas>.

Seven countries (Slovakia, Ukraine, Romania, Serbia, Croatia, Slovenia, and Austria) surround Hungary. With these countries as well as with most other partners, Hungary prefers to work on a **bilateral rather than regional** basis. The policies in these countries often have Hungarians living abroad as a big priority. Relations with Austria are exceptional for a variety of reasons such as sharing common concerns and a common history. Several forums that address the shared issues mark this relationship. Relations to Slovenia have always been friendly and Hungary would like to expand these into more policy areas.<sup>12</sup>

A special cooperation exists with the **Visegrád Group**, also called V4, consisting of Hungary, the Czech Republic, Poland, and Slovakia since 1991. Their current priorities are: improving the infrastructure and accessibility, regionally integrating the energy market, as well as increasing the presence in the Western Balkans<sup>13</sup>. Yet, regarding the Ukraine crisis, there has been no cooperation on security issues and no V4 common positions at NATO either<sup>14</sup>.

### c. Peace & Security Policy

Hungary's Security and Defence Policy underwent some changes with the new regime starting in 2010 focusing on a stronger military and self-sufficiency in regards to international aid. Hungary's independence and national sovereignty are protected by the Hungarian Defence Forces. These are divided into land and air forces. Currently there is no compulsory service. The security environment of Hungary is regarded as largely stable with a low probability of conventional threats. However, new threats are emerging. The largest threat is international terrorism as Hungarian soldiers abroad or Hungary's interests might be targeted. Attached to this, is the threat of the proliferation of weapons of mass destruction and the possibility that terrorists will have access to them. In addition, regional stability might become an issue. So far the immediate threat to Hungary is low due to NATO but Hungary is also affected by the instability in the Middle East and in the Ukraine.<sup>15</sup>

As of September 2015, Hungary's peacekeeping contributions ratio stands at about 70% going to NATO operations, 20% to the EU, and 10% for the UN<sup>16</sup>. In addition, most crisis management operations take place far away from Hungary where the soldiers have to work under different conditions. Countries where Hungarian Forces have participated in mission are Afghanistan as well as Iraq.

#### *European Union (EU)*

Hungary regards the Common Foreign and Security Policy (CFSP) as an **added value** to its national security policy and would like it to be well functioning. It is however important to the country that defence policy is also implemented at the national level. Hungary remains part of the Common Security and Defence Policy (CSDP) and has participated in a variety of

<sup>12</sup> Ministry of Foreign Affairs of Hungary, *Hungary's Foreign Policy after the Hungarian Presidency of the Council of the European Union*, 2011. Web. Accessed June 26, 2015.

[http://eu.kormany.hu/admin/download/f/1b/30000/foreign\\_policy\\_20111219.pdf](http://eu.kormany.hu/admin/download/f/1b/30000/foreign_policy_20111219.pdf).

<sup>13</sup> Rada, P., "The Central European Year of Hungarian Foreign Policy", *Centre for European Policy Analysis*, April 2, 2013. Web. Accessed June 24, 2015. <http://www.cepa.org/content/central-european-year-hungarian-foreign-policy>.

<sup>14</sup> Hegedüs D., "How should Europe respond to Russia? The Hungarian view", *European Council on Foreign Relations*, January 22, 2015. Web. Accessed November 16, 2015.

[http://www.ecfr.eu/article/commentary\\_how\\_should\\_europe\\_respond\\_to\\_russia\\_the\\_hungarian\\_view406](http://www.ecfr.eu/article/commentary_how_should_europe_respond_to_russia_the_hungarian_view406)

<sup>15</sup> Ministry of Defence of Hungary, *Hungary's National Military Strategy*, 2012. Web. Accessed June 26, 2015. [http://2010-2014.kormany.hu/download/b/ae/e0000/national\\_military\\_strategy.pdf#!DocumentBrowse](http://2010-2014.kormany.hu/download/b/ae/e0000/national_military_strategy.pdf#!DocumentBrowse).

<sup>16</sup> Szenes Z., "Peacekeeping Contributor Profile: Hungary", *Providing for Peacekeeping*, last update September 2015. Web. Accessed November 16, 2015. <http://www.providingforpeacekeeping.org/2015/09/11/peacekeeping-contributor-profile-hungary/>

missions as well as in the V4 Joint Battlegroup. Nonetheless, NATO is still seen as the prime security alliance, and cooperation with NATO is seen as necessary to reduce duplication.

#### *North Atlantic Treaty Organization (NATO)*

NATO is regarded as one of the basic pillars of security for Hungary, which became a member in 1999. This alliance is clearly seen as more important than CSDP. This is shown by the fact that Hungary has been part of several missions such as to Afghanistan and is one of the countries with the higher operational expenditures. In October 2015, the Hungarian government announced its plan to host a new NATO command centre alongside with other central European and eastern European countries. The centre would plan military exercises and coordinate the actions of the Alliance's rapid deployment forces in the case of emergencies, and it will be fully operational in early 2016<sup>17</sup>. Hungary's defence expenditures significantly decreased over the years: from 2000 to 2004, Budapest devoted 1.6% of its GDP to defence, while in 2015 this percentage fell to 0.9%<sup>18</sup>. Moreover, for the period 2014-2015 Hungary contributed to 0.70% of the NATO Common-Funded Budgets and Programmes<sup>19</sup>.

#### *United Nations (UN)*

Hungary has been a member of the UN since 1955. Hungary first deployed peacekeepers to a UN mission in 1988, and its contributions grew steadily until 1999 when Hungary joined NATO and prioritized NATO operations in Bosnia-Herzegovina, Kosovo, and Macedonia. As of September 2015, 93 Hungarians are engaged in 5 UN Peacekeeping Missions around the world (MINUSCO in the Western Sahara, UNMIK in Kosovo, UNIFIL in Lebanon, UNFICYP in Cyprus and MINUSCA in the Central African Republic)<sup>20</sup>. In the period 2013-2015 Budapest contributed about 0.11% to the total peacekeeping budget<sup>21</sup>.

Concern was voiced at the UN level as Hungary plans to build a fence on its border against Serbia, which would be a significant obstacle to refugees. Criticism also occurred due to a questionnaire addressed at migrants implying a link between migration and terrorism.<sup>22</sup>

#### *Organization for Security and Co-operation in Europe (OSCE)*

Hungary is a member of the OSCE. Several OSCE **election observations** have taken place within the country. For the first time this was the case in 1998 and in 2002 upon the invitation of the foreign minister. The same was the case with the elections in 2010 and 2014. The report of the 2014 elections concluded that they were conducted in a fair manner but that the

<sup>17</sup> n.a. "Hungary to host NATO command center", *RT News*, October 5, 2015. Web. Accessed November 16, 2015. <https://www.rt.com/news/317447-hungary-nato-command-center/>

<sup>18</sup> "NATO publishes defence expenditures data for 2014 and estimates for 2015", Press release PR/CP(2015)093-COR1, *The North Atlantic Treaty Organization*, June 22, 2015, p. 1-10. Web. Accessed November 16, 2015.

[http://www.nato.int/nato\\_static\\_fl2014/assets/pdf/pdf\\_2015\\_06/20150622\\_PR\\_CP\\_2015\\_093-v2.pdf](http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2015_06/20150622_PR_CP_2015_093-v2.pdf)

<sup>19</sup> "NATO Common-Funded Budget & Programmes", *The North Atlantic Treaty Organization*. Web. Accessed November 16, 2015.

[http://www.nato.int/nato\\_static\\_fl2014/assets/pdf/pdf\\_2014\\_06/20140611\\_20140601\\_NATO\\_common\\_funded\\_budgets\\_2014-2015.pdf](http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2014_06/20140611_20140601_NATO_common_funded_budgets_2014-2015.pdf)

<sup>20</sup> Szenes Z., "Peacekeeping Contributor Profile: Hungary", *Providing for Peacekeeping*, last update September 2015. Web. Accessed November 16, 2015. <http://www.providingforpeacekeeping.org/2015/09/11/peacekeeping-contributor-profile-hungary/>

<sup>21</sup> United Nations General Assembly, "Implementation of General Assembly resolutions 55/235 and 55/236", *Report of the Secretary General*, December 27, 2012, p. 3. Web. Accessed November 16, 2015. [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/67/224/Add.1](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/67/224/Add.1)

<sup>22</sup> n.a. "UN Cites Strong Concerns over Hungarian Border Fence Plan That Could Deter Refugees and Asylum-seekers", *UN News Centre*, June 19, 2015. Web. Accessed June 30, 2015. <http://www.un.org/apps/news/story.asp?NewsID=51201#.VZJbzRPtmkp>

main party had a campaign advantage due to newly reformed laws. Moreover, the wider public accepted the lower number of seats within the parliament but the way the new constituencies were drawn up was not in a transparent manner<sup>23</sup>. In 2014, Hungary contributed to 0.5% (€661,240) of the Organization's unified budget<sup>24</sup>, and 19 nationals were involved in its staff<sup>25</sup>.

### *Council of Europe (CoE)*

Hungary became member of the Council of Europe on 6<sup>th</sup> November 1990. In September 2015, CoE Secretary General asked the Hungarian authorities to explain the new legislation which will allow the Government to declare a 'state of crisis' caused by mass immigration. He raised his concerns over the bill's compatibility with the obligations of the European Convention on Human Rights<sup>26</sup>. In 2014, the European Court of Human Rights issued **50 judgments** concerning the country, of which 49 are violations and one is a non-violation. In 2015, Hungary contributed to 0.54% (€2,259,940) of the total budget<sup>27</sup>.

### *Strategic Culture*

In general, a move towards a more **national focus** on defence and security policy while still keeping ties with NATO due to its importance of guaranteeing security occupy the Hungarian Strategic Culture. Policies towards the EU seem to be based on double standards as the website of the Hungarian government talks about the EU and its various policies favourably, while several media outlets often report about criticism of the EU towards Hungary. This move towards a more national focus is justified by the wish to preserve diversity for example within the EU and keep the individual nation.

### **d. Economic Policy**

Upon their complete independence from the former Soviet Union, Hungary's economy experienced a fast economic transition. Today, Hungary's economy can be regarded as "open," which also made it very vulnerable to the economic crisis. In 2008 an IMF-EU €20 billion bailout was required. The country's view towards tough austerity measures is usually rather negative. This as well as a variety of other factors lead to inadequate dealings with Hungary's economy and facilitated the move away from liberal political groups.

Since 2010 the economic policy has changed as well with the view that Hungary's open economy and the EU's economic problems are not compatible anymore so emphasize should be placed on the national policy. As a result, the national bank has become less independent, the pension has been nationalized, and a variety of unorthodox policies were adopted such as aggressive taxes on foreign companies. Other efforts to boost activity and employment were the introduction of a flat rate tax, having the shortest unemployment benefits in Europe as well as a cost efficient education system. Since then unemployment has decreased again

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<sup>23</sup> "OSCE/ODIHR Final Report on Hungary's Parliamentary Elections Recommends Ensuring Clear Separation between State and Party", Press release, *The Organization for Security and Co-operation in Europe*, July 17, 2014. Web. Accessed June 30, 2015. <http://www.osce.org/odihr/elections/hungary/121375>.

<sup>24</sup> The Organization for Security and Co-operation in Europe (OSCE), *Annual Report 2014*, July 2015, p. 105. Web. Accessed November 16, 2015. <http://www.osce.org/secretariat/169971?download=true>

<sup>25</sup> *Ibid.*, p. 109

<sup>26</sup> n.a. "Secretary General questions Hungary over human rights", Press release, *Council of Europe*, September 15, 2015. Web. Accessed November 16, 2015. <http://www.coe.int/en/web/portal/-/secretary-general-questions-hungary-over-human-rights>

<sup>27</sup> "Hungary – Member state", *Council of Europe*. Web. Accessed November 16, 2015. <http://www.coe.int/en/web/portal/hungary>

allowing the Fidesz party to also win the next elections. International cooperation in terms of economic policies seems to be sparse.

### *European Union (EU)*

As a member state of the EU, Hungary is able to highly benefit from the different **EU funds** and currently receives six times more in funds than it contributes to the budget. EU Funds the country receives help from are the European Fisheries Fund, the European Agricultural Fund for Rural Development as well as the European Regional Development, Cohesion and Social Funds. As previously mentioned, Hungary was also gravely affected by the global financial crisis. The country sees the economic crisis as a result of the contradiction between the wish for competitiveness and sustainability at the same time. As a result Hungary would like to get back more power for its financial policies as only democratic legitimate actors should be able to choose in this regard and Hungary currently does not view the EU as such an actor.

According to the *2015 Council Recommendation*, Hungary is currently in the preventive arm of the Stability and Growth Pact. In its 2015 Convergence Programme, the Government planned to gradually improve the headline deficit to 2,4 % of GDP in 2015 and further to 1,6 % in 2018. The Government also planned to gradually reduce the debt to-GDP ratio to 74,9 % in 2015 and to 68,9 % in 2018. The Council of the EU, however, is of the opinion that there is a risk that Hungary will not comply with the provisions of the Stability and Growth Pact<sup>28</sup>. The Hungarian labour market improved in 2014, with employment recovering in the private sector. Significant challenges remain with regard to the public work scheme, which, according to the Council appears to be inefficient and ineffective. Moreover, barriers introduced in recent years to market entry in the service sector have not been removed; rather, further barriers were introduced in 2014, hampering the efficient allocation of economic resources, increasing uncertainty for investors and restricting competition. Also, the corruption and lack of transparency affecting public administration, decision-making and public procurement remain a cause of concern<sup>29</sup>.

### *Economic Diplomacy & Foreign Trade*

Hungary has been a member of the **World Trade Organization** (WTO) since 1995 and was already a member of the General Agreement on Tariffs and Trade (GATT) beforehand. Since joining the organization the country has been in a variety of dispute cases as complainant, respondent as well as a third party.<sup>30</sup>

An important part of Hungary's economy is the **export sector**. Right now the country heavily depends on the EU export market. The country's main export partners are Germany, Slovakia, and Romania, while its main import partners are Germany, Russia, and China. As the country realizes the need to keep up this sector, foreign policy wants to help exports and advance foreign investment. In line with a move away from the EU, Hungary is looking for trading partners in other parts of the world such as going south to Latin America as well as establishing partnerships with South Korea and Japan.<sup>31</sup>

<sup>28</sup> Council of the European Union, "Council Recommendation on the 2015 National Reform Programme of Hungary and delivering a Council opinion on the 2015 Convergence Programme of Hungary", *Official Journal of the European Union*, C272/77, July 14, 2015. Web. Accessed November 16, 2015. [http://ec.europa.eu/europe2020/pdf/csr2015/csr2015\\_council\\_hungary\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_hungary_en.pdf)

<sup>29</sup> *Ibid.*

<sup>30</sup> "Hungary and the WTO", *WTO*, 2015. Web. Accessed June 30, 2015. [https://www.wto.org/english/thewto\\_e/countries\\_e/hungary\\_e.htm](https://www.wto.org/english/thewto_e/countries_e/hungary_e.htm).

<sup>31</sup> Barcza G., "Guest Post: In Defense of Hungary's Economic Policy", *Beyondbrics*, Financial Times, February 18, 2013. Web. Accessed June 26, 2015. <http://blogs.ft.com/beyond-brics/2013/02/18/guest-post-in-defense-of-hungarys-economic-policy/>.

Hungary's Russian links are qualitatively different to those of other Visegrad countries. The €11 billion Russian loan in the Paks nuclear plant agreement comes to about 10 percent of Hungary's GDP, for instance. Furthermore, Russia is de facto an important buyer of Hungarian state bonds and thus finances Hungarian state debt, making Hungary much more financially dependent on Russia than other Visegrad countries are. This is quite surprising as trade relations are fairly limited – only 3 percent of Hungarian exports goes to Russia (compared to 4-5 percent for the other Visegrad countries). But Hungary's energy dependence on Moscow is unquestioned: 99 percent of its oil and 74 percent of its natural gas comes from Russia<sup>32</sup>.

In November 2015, a trilateral meeting was held between the Foreign Ministers of Greece, Bulgaria and Hungary. The three Ministers reaffirmed their desire to work together to implement projects like the Liquefied Natural Gas (LNG) terminals, the Trans Adriatic Pipeline (TAP), the vertical corridor, and the Interconnector Greece Bulgaria (IGB) pipeline, which will benefit their countries as well as European energy security<sup>33</sup>.

#### e. Other Diplomatic Priorities

##### *Priorities at the European Level*

Since the end of World War II many **ethnic Hungarians** did not live in their country as the borders had been changed. These ethnic minorities still live in many of the neighbouring countries and it remains a sensitive issue. Especially relations to the neighbours can be hindered by ongoing conflicts over the treatment of the Hungarian minorities in these countries.<sup>34</sup>

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<sup>32</sup> Hegedüs D., “How should Europe respond to Russia? The Hungarian view”, *European Council on Foreign Relations*, January 22, 2015. Web. Accessed November 16, 2015.

[http://www.ecfr.eu/article/commentary\\_how\\_should\\_europe\\_respond\\_to\\_russia\\_the\\_hungarian\\_view406](http://www.ecfr.eu/article/commentary_how_should_europe_respond_to_russia_the_hungarian_view406)

<sup>33</sup> “Trilateral meeting of the Foreign Ministers of Greece, Bulgaria and Hungary”, *Hellenic Republic – Ministry of Foreign Affairs*, November 5, 2015. Web. Accessed November 16, 2015. <http://www.mfa.gr/en/current-affairs/top-story/trilateral-meeting-of-the-foreign-ministers-of-greece-bulgaria-and-hungary-luxembourg-november-2015.html>

<sup>34</sup> “Hungary Country Profile - Overview”, *BBC News*, June 18, 2015. Web. Accessed June 23, 2015. <http://www.bbc.com/news/world-europe-17380792>.

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