

Deák, A., Weiner, C. (2022). [Hungary: More Business, Less Illiberalism](#). In: Kaeding, M., Pollak, J., Schmidt, P. (Eds.) [The Future of Europe and Russia: Views from the Capitals](#). ([The Future of Europe book series](#)) Springer, Cham, 51–54.

This chapter was completed on 10 January 2022.

Hungary: more business, less illiberalism

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Historic, political and economic relations between Hungary and Russia

Hungary has the typical national contours that feature in relations between Central and East European (CEE) EU Member States and Russia. Troublesome historical legacies, relatively minor and narrowing economic relations (except for energy) and sharp party divisions regarding the Russian nexus are generally shared features in CEE. What stands out within this setting are the inherently domestic policy patterns of bilateral relations, especially as far as interrelations between Viktor Orbán's illiberal leanings along with Euroscepticism and Moscow's foreign policy agenda are concerned. Viktor Orbán's and Vladimir Putin's mindsets partially overlap, creating some ideological foundations for an opportunistic relationship.

In Hungary, negative historical experiences have not had a lasting impact on Russia's public image. Besides the population's general lack of interest in foreign policy, tangled memories regarding the West often overshadow grievances caused by Moscow. Unlike the Baltic states or Poland, the Hungarian public mood is not prohibitive towards pro-Russian sentiments. Moreover, historical and security arguments do not have an exclusive role on the political scene.

Hungarian–Russian economic relations are inferior to those of Hungary with other countries. Mutual trade is characterised by a permanent negative balance due to large imports of Russian crude oil, oil products and natural gas, representing the core of economic ties. Most Hungarian exports to Russia historically consist of food, medicine, machinery and transport equipment. For these selected import and export products, Russian relations continue to be important, but the shares of Russian imports and exports in Hungary's total imports and exports have decreased significantly, each amounting to only a few per cent according to current data. The negative effects of EU sanctions against Russia and Russian counter-sanctions are visible on the Hungarian export side, but the ruling majority in Hungary seemingly overestimates the adverse consequences of sanctions.

Burdened by a couple of short-lived hostile takeover attempts involving Hungarian companies in the past, Hungarian–Russian foreign direct investment (FDI) activities are even less significant than trade. However, a few major transactions deserve attention, such as those

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in Hungary's banking, metallurgy, natural gas and machinery industries as well as various investments connected to the Rakhimkulov family in Hungary. Most Hungarian FDI in Russia has been made in banking, oil, pharmaceuticals, feed production and medical implant manufacturing.

In energy relations, the key focus is on gas imports and, most recently, the future construction of a new Russian nuclear power plant in Paks (Paks II), agreed in 2014. While Hungary has diversified its natural gas pipeline network and has many suppliers, Russia's state-controlled gas giant Gazprom has preserved its dominant role among partners, mainly due to affordability considerations. In addition to signing a new long-term gas supply contract in 2021, Hungary has also cooperated with Russia in constructing the Balkan Stream pipeline from Turkey, launched in 2021. Nonetheless, Paks II is the undisputed highlight on the bilateral agenda. The EUR 12.5 billion construction and related credit contracts with Rosatom State Atomic Energy Corporation and the Russian state, respectively, are exceptional in the EU CEE landscape and symbolise the close relations between Moscow and Budapest, albeit the permit process has not been concluded and construction has not yet begun. Meanwhile, most people in Hungary are against both the Paks II project and Russian participation.

Hungary's perception of Russia

Until the mid-2000s, the Hungarian party system and Hungarian public shared these common dichotomist CEE patterns of Russia's image: pragmatic, cooperative leftists co-existing with sceptical conservatives. After 2005, the emerging far-right Jobbik party evolved into a strong pro-Russian force as part of its anti-Western agenda and possibly influenced by alleged Russian financial support. After 2010, Viktor Orbán made a full turnaround as part of his 'Eastern Opening' and became one of the fiercest proponents of cooperation with Russia. Thus, by the mid-2010s, all Hungarian parliamentary parties but the tiny Greens had pro-Russian images. Since then, the parties' views have started to differentiate again. In the opposition camp, Orbán's regime is increasingly paralleled with Putin's Russia and hence negative views on Russia and Orbán often overlap.

Public perceptions have largely followed the trends in party sentiment. While aggregate figures show relative stability, there has been a major swap between Orbán's party Fidesz and leftist/liberal sentiments since Orbán returned to power in 2010. Currently, Fidesz voters are more supportive towards Russia, while others are less so. The main focus of relations remains on economy and energy. Military security threat perceptions are modest, but reservations about Russia have grown stronger in the political field.

Russia's influence on domestic politics and the Hungarian position in the EU

The influence of Hungarian–Russian relations on Hungary's position within the EU is palpable, but not straightforward. EU–Hungarian relations are dominated by its inherent factors, most notably the Hungarian government's anti-liberal and anti-EU sentiments expressed in its rhetoric. The bulk of EU–Hungarian tensions stem from intra-EU conflicts rather than external motivations. Viktor Orbán often acts as a consensus buster in symbolic issues, independent of whether it is about China, Turkey or Russia. Nonetheless, the government has not crossed any 'red lines'. EU sanctions against Russia have been loudly criticised but never vetoed by Budapest. The trans-Baltic Sea Nord Stream 2 pipeline project between Russia and Germany was initially opposed by Budapest, even if criticism was not as loud as in other CEE countries. Intensive energy cooperation in natural gas and nuclear fields is accompanied by other

measures pointing towards diversification, such as liquefied natural gas imports from Croatia or domestic investments in solar energy.

Hungary's illiberal tendencies and political campaigns (for instance, against Hungarian-born George Soros, migration, LGBTQ rights and the European Commission) make it seem as if strong interconnections exist between Russia and Hungary. While some hints of a learning process (imitation of Russia) can be traced in Budapest, these are driven not by Russian actors but by domestic Hungarian stakeholders. Orbán's strong control over the media, the economy and public life makes it difficult for Moscow to initiate its own projects of influence.

Where does this lead?

Despite the ideological overtones, Hungarian attitudes towards Russia are mostly about business. This extreme pragmatism is only complemented by the issue of partially overlapping mindsets, which dominate neither EU–Hungarian nor Russian–Hungarian relations. Although Hungary's Russian-friendly and anti-sanction attitudes cause some damage at EU diplomatic levels and are unpleasant for the EU, they have no real impact on EU–Russia relations. Conversely, the Hungarian economy has not benefited much from such Hungarian actions. Hungarian–Russian economic relations roughly follow the trends observed on EU–Russian levels, including declining economic interest in the Russian market and serious questions about the long-term future of Russian energy imports. The loss of economic momentum is also felt at political levels in both EU–Russian and Hungarian–Russian relations. At the same time, sanctions no longer have a substantial effect on Russia.

Focusing only on economic issues is a legitimate viewpoint, and Hungary is not alone in this in the EU, but its behaviour on Russian issues is unique and puts the country in a negative light, which should be avoided in the future. A transactionalist relationship, 'something-for-something' deals not linked to different visions, fits the Hungarian approach. However, the future of Hungarian–Russian relations largely depends on Hungarian domestic policy developments. Due to party differences and lack of consensus regarding Russia, a government change could have considerable effects on bilateral ties.