

Accession Twenty Years On – Experiences, Expectations and Effects on the European Union

Andrea Éltető and Tamás Szemlér*

Hungary in the European Union – Cooperation, Peacock Dance and Autocracy

<https://doi.org/10.1515/soeu-2022-0051>

Abstract: Hungary had been one of the frontrunners in the political and economic transition process in Central and Eastern Europe in the 1990s, and in 2004 it joined the European Union. Since 2010, Hungary has gradually become an autocratic regime, a process that has been facilitated by the political benefits of EU integration and money transfers. While the support of the Hungarian people for EU membership has remained high, tensions have increased between the Hungarian government and EU institutions. This article evaluates how the external shock of Russia’s war against Ukraine has shaken Hungary’s so far developed authoritarian equilibrium within the EU. The authors show how embedded the Hungarian autocracy has become and argue that although there have been some effects to the pillars of the authoritarian equilibrium, it has remained stable, and most probably will continue to do so, as long as the illiberal regime stays in power.

Keywords: Hungary; illiberalism; corruption; European Union; autocracy

Introduction

After the collapse of the communist system the 1990s were promising for Hungary regarding its political and economic integration into the democratic Europe. Before its accession to the European Union (EU), this integration had largely already taken place; trade and capital flows had been liberalised, and the adaptation of the legal and political system had begun. During the accession negotiations and in the first years of membership, Hungarian governments strongly cooperated with the EU. The past decade, however, has seen an illiberal, quarrelling, renitent Hungary come forward with

*Corresponding author: **Tamás Szemlér**, Budapest Business University, Faculty of Commerce, Hospitality and Tourism, Budapest, Hungary, E-mail: szemler.tamas@uni-bge.hu

Andrea Éltető, Institute for World Economics, Centre for Economic and Regional Studies, Budapest, Hungary, E-mail: eltetto.andrea@krtk.hu

dismantled checks and balances and institutionalised corruption. Bozóki and Hegedűs (2018) argue that, although the EU could not stop this process, it has slowed down the curbing of human rights and has structurally constrained the hybrid regime. Democratic values and the rule of law have faded to the extent that in September 2022 the European Parliament (EP) qualified Hungary as a hybrid regime of electoral autocracy.¹

In this article, we also consider Hungary as an autocracy and describe its role within the European Union. We apply the literature on regional integration of authoritarian regimes and the framework of authoritarian equilibrium (Kelemen 2020). Our research question is whether a strong external shock, the Russian attack of Ukraine, has significantly upset this equilibrium. Based on domestic and EU-level developments we argue that although the assessment of Hungary is rather negative by its European partners, the authoritarian equilibrium is maintained, and democracy will not be re-installed as long as the present government rules in Hungary.

The first section provides a literature review on the international integration of autocracies. The second part describes the development of EU–Hungarian relations since 2004. The third part discusses regime characteristics in Hungary and the role of financial transfers from the EU. The fourth section evaluates Hungary’s foreign policy and its European alliances, comprising the Visegrád group, i.e. Czechia, Poland and Slovakia. The fifth section evaluates the effects of the external geopolitical shock caused by the Russian aggression against Ukraine.

Theoretical Framework

There is a considerable amount of literature on the international collaboration among authoritarian regimes, authoritarian regionalism or the export of autocracies. Although most of these studies refer to Eurasia, some aspects are applicable to the European autocratic Hungary’s relations with Russia and other autocracies of the East. Ambrosio (2014) shows that autocratic states are willing to work together in mutual defence of their political systems, and that they learn from each other. According to Stoddard (2015), a reason for cooperation of autocracies is that such states face common pressures: autocratic leaders must respond to globalization and those transnational factors that threaten their regimes. Von Soest (2015) points out that distinctions must be made between various forms of authoritarianism, as a deliberate will to prevent democracy can differ from a pragmatismal collaboration between authoritarian regimes. In such a scheme, Hungary’s approximation to the Eastern autocratic regimes can be labelled both pragmatic and ideological.

¹ “MEPs: Hungary Can No Longer Be Considered a Full Democracy.” European Parliament Press Release, 15 September 2022. <https://www.europarl.europa.eu/news/en/press-room/20220909IPR40137/meps-hungary-can-no-longer-be-considered-a-full-democracy> (accessed 11 July 2023).

Obydenkova and Libman (2019) pointed out that non-democratic regional organisations use governance mechanisms that allow informal interaction among leaders more often than relying on bureaucratic institutions. They include both rich and poor countries, countries of different cultures and regimes. The Hungarian government, in fact, has transformed the institutional system at its service: looser, informal cooperation with heterogeneous Asian states has come to be more attractive than the EU rules. Leeds and Davis (1999) proved that cooperation among what are considered pure democracies on the one hand and pure autocracies on the other is more likely than cooperation between different systems. A democracy and an autocracy will engage in lower levels of cooperation than states with similar internal structures. Non-democracies tend to treat democracies with more conflictual and less cooperative behaviour, so that generally the influence of domestic political structures on international relations is broad and important (Leeds 1999). As we describe below, the transformation of the Hungarian domestic political structure into an autocracy has indeed multiplied the conflicts with the democratic European countries.

Pevehouse (2002) emphasised the role of regional integration processes—such as the EU—in the consolidation of democracies through conditionality of membership and requirement to commit to reforms. Conditionality and the cost of reforms are signals of credibility to both internal and external actors. The EU required all members to be democratic market economies, and in return it provided a stabilising and strengthening effect, for example in the case of East European nascent democracies and its southern member states. Apart from that, the EU grants financial resources for the development of its members. Showcasing international examples of European and Latin American integrations, Pevehouse (2002, 2005) concluded that membership in regional organisations can assist in lengthening the longevity of democratic regimes. If this is true, Hungary in the EU proved to be an exception.

Although Hungary is an autocracy now, its case is indeed special, because it has dismantled democratic values and has weakened the rule of law *while* it belonged to a democratic union of European countries. There are examples of authoritarian regions in democratic federal states, mostly in the United States (US) (Gibson 2013; Bateman, Katznelson, and Lapinski 2018), and they use their access to federal institutions according to their interests. Kelemen (2020) analysed the European Union and the case of Hungary within it, creating the framework of “authoritarian equilibrium”, which rests on three pillars. The first is what he calls the half-baked EU-level politicisation: there are Euro-parties but national sovereignty remains. Second, he maintains that EU funds help sustain national autocracies, and EU membership helps these autocratic governments attract foreign investments. Third, finally, the free movement of persons within the EU facilitates emigration by dissatisfied citizens, which decreases domestic opposition to the autocratic regime. The remittances of emigrants, although directed through private, family channels, do

bolster the domestic economy and thus help sustain the incumbent regime. In the following sections, we take the evolution of Kelemen's three pillars to describe Hungary's transformation within the EU. Finally, we evaluate the durability of these pillars of authoritarian equilibrium in light of the Russian war against Ukraine.

Hungary in the European Union – A Peacock Dance Since 2010

The years 1989–1990 provided a new start in the political and economic life of the Central and East European (CEE) countries. Hungary was one of the frontrunners in the changes leading to the re-establishment of democracy and a market economy. The general expectation of Hungarian society at that time was to catch up to the living standard of “the West”. In December 1991, Hungary already signed the agreement on its association to the European Communities. Further steps came after the definition of the Copenhagen criteria (June 1993), establishing a general set of political and economic conditions for entry into what was now called the European Union. Hungary applied for EU membership in April 1994 and what would be a decade-long process started. The negotiation process under the first government that was led by Viktor Orbán was not free from nationalist declarations, but 22 of the 31 negotiation chapters were closed without major problems (Elliesen et al. 2019).

The almost two decades since Hungary's accession to the EU in 2004 can be divided into different periods. According to Losoncz (2019), the major dividing line is the year 2010, when the ruling party with a supermajority became the Fidesz–Hungarian Civic Alliance (*Fidesz – Magyar Polgári Szövetség*, Fidesz), led by Orbán, which has been in continuous power ever since. Until then the Hungarian government had been clearly pro-European, meaning that it had agreed on the major lines of EU policymaking with the mainstream European forces. We agree with Nyssönen and Metsälä (2021) that Fidesz is not a mere political party anymore in the Western sense of the term, but more like a power concentration and manifestation of the Hungarian state. Fidesz's anti-EU rhetoric has been similar to that of the European far-right parties (Elliesen, Henkel and Kempe 2019).

Soon after its election in 2010, the Orbán government modified the Hungarian legislation basis. The new constitution, the Fundamental Law of Hungary, was adopted in April 2011 and entered into force the following year. The document and its amendments have been criticised by the EU and the Council of Europe's Venice Commission: the government fundamentally weakened the rule of law and put party loyalists as heads of all important institutions (Constitutional Court, State Audit Office, Chief Prosecutor's Office, National Tax Offices, etc.). The EU has voiced

its serious concern regarding the Hungarian illiberal developments, especially the state control over the media, the corruption and the intransparent executive power. The violation of the rule of law by the Orbán regime was documented by the Tavares Report in 2013, voted for by the EP with a large majority, but left without sanctions.² In the deepening conflict between the EU and Hungary, a crucial step was the Sargentini Report of 2018, with a long list of the democracy deficits in Hungary, also passed in the EP with a large majority (Ágh 2022).³ Based on this, the European Parliament passed a motion for the first time to initiate the process defined in Article 7 of the Treaty on European Union, declaring that Hungary is at risk of “breaching the EU’s core values”.⁴ The Orbán government has often pursued a confrontational diplomacy with the EU. The prime minister, in his ambassadorial speeches, encouraged Hungarian diplomats to resist EU pressures and take a tougher line toward the EU. Hungary has vetoed some joint EU declarations and international agreements deemed too “pro-migrant” and, together with Poland, threatened to veto the entire seven-year budget of the EU at the end of 2020 in order to block the rule of law mechanism (Visnovitz and Jenne 2021).

In 2012, Orbán himself described his behaviour towards the EU as a “peacock dance”:

According to the dance order of diplomacy, we should reject something while pretending we try to make friends. These are the movements of the art of politics: we will nod on two or three of the proposals (on those we have already done, just they have not noticed it), and we reject two, which we do not want, thus actually accepting the majority of all proposals. This complicated game is a kind of peacock dance.⁵

The prime minister and his government have acted accordingly, taking two steps forward but one step back at the last minute, voicing strong anti-Brussels rhetoric while silently cooperating in technical questions. Bíró-Nagy and Laki (2021) analysed the effects of the EU on three Hungarian public policy fields between 2004 and 2018. One field is the Europeanisation of the legislation, which can be passive (obligatory

2 “REPORT on the Situation of Fundamental Rights: Standards and Practices in Hungary (Pursuant to the European Parliament Resolution of 16 February 2012).” European Parliament, 24 June 2013, https://www.europarl.europa.eu/doceo/document/A-7-2013-0229_EN.html (accessed 10 July 2023).

3 “REPORT on a Proposal Calling on the Council to Determine, Pursuant to Article 7(1) of the Treaty on European Union, the Existence of a Clear Risk of a Serious Breach by Hungary of the Values on Which the Union is Founded.” European Parliament, 4 July 2018, https://www.europarl.europa.eu/doceo/document/A-8-2018-0250_EN.html (accessed 10 July 2023).

4 De La Baume, M., and R. Heath. “Parliament Denounces Hungary’s Illiberalism.” *Politico*, 12 September 2018, <https://www.politico.eu/article/european-parliament-approves-hungary-censure-motion/> (accessed 10 July 2023).

5 Orbán: ellentmondunk a csábításnak. *Világgazdaság*, 31 May 2012, <https://www.vg.hu/vilaggazdasag-magyar-gazdasag/2012/05/orban-ellentmondunk-a-csabitasnak>.

takeover of EU laws) or active (takeover by a nation's own decision). The authors find no difference between left-socialist and Fidesz governments, as the share of adopted laws of European origin was an average of 38 % throughout this period. From 2014 onwards, however, the share of active legal Europeanisation decreased significantly. The second field is the fulfilment of the country-specific recommendation of the annual cycle of economic and fiscal policy coordination, the European Semester system. All four Visegrád countries had a similar achievement of around 30–35 %, lower than the EU average, and Hungary's behaviour was stable over the period. The third field is the number of infringement proceedings initiated against Hungary, which until 2018 was similar under the left-socialist and the Fidesz governments. All in all, the Eurosceptic rhetoric seemed to be delinked from the real pro-European legislative activity of the Fidesz government. However, regarding the most recent period until 2022 in diplomacy and negotiations at the European level, the Orbán government has become in many cases (migration, rule of law, free media, civil organisations, friendly relations with Russia and China) an opponent of the mainstream EU positions.

In contrast with the realisation of ambitious projects in the 1990s (single market, Economic and Monetary Union) and the 2000s (Eastern enlargement), the 2010s showed some important weaknesses in the construction of European integration: the Eurozone crisis, the migration crisis and Brexit pointed to structural flaws. However, all these situations also demonstrated the potential of reaching a kind of solution through the addition of important elements to the Eurozone, flexibility (in the case of the 2015 migration crisis) and renewal. In the case of Brexit, renewal meant not only the necessary redefinition of EU–UK relations but also of the whole European construction (European Commission, 2017: White Paper on the Future of the EU). The Hungarian government criticised the EU for the Eurozone crisis and argued against the Euro.⁶ Since 2015, Orbán has taken a strongly anti-immigration position within the EU, opposing migrant quotas and blocking even the trade and development accord with the member states of the Organisation of African, Caribbean and Pacific States (OACPS).⁷ Orbán named immigration as a reason for Brexit and supported the UK in his speeches.⁸

6 “EU is Hindering Nations Tackling Crisis: Orban.” *Gulf Times*, 28 July 2012, <https://www.gulf-times.com/story/81499/eu-is-hindering-nations-tackling-crisis-orban> (accessed 10 July 2023).

7 “Hungary to Block EU's Africa-Pacific Trade and Development Deal.” *Euractiv*, 21 May 2021. <https://www.euractiv.com/section/africa/news/hungary-to-block-eus-africa-pacific-trade-and-development-deal/> (accessed 10 July 2023).

8 Gotev, G. “Orban Blames Brexit on Commission's Migration Policies.” *Euractiv*, 24 June 2016. <https://www.euractiv.com/section/global-europe/news/orban-blames-brex-it-on-commissions-migration-policies/> (accessed 10 July 2023); and S. Walker, D. Boffey. “Hungary for Brexit, Orban Praises Johnson and Trump”, *The Guardian*, 9 January 2020, <https://www.theguardian.com/world/2020/jan/09/hungary-for-brex-it-orban-praises-johnson-and-trump> (accessed 26 July 2023).

The Covid-19 pandemic, as a new type of challenge from 2020 onwards, led the EU to a previously unseen rapid reaction, including the joint borrowing activity of the member states. Orbán sharply criticised the EU's vaccination program as too slow, and Hungary authorised the Chinese and Russian vaccines not approved by the EU.⁹ The reasons why the Hungarian attitude had been tolerated lead to the first pillar of Kelemen's (2020) authoritarian equilibrium in the EU: the half-baked politicisation. Fidesz was a member of the European People's Party (EPP), the largest grouping in the European Parliament. Despite Fidesz's shift towards the far right and its alliance-building with right-wing parties, the voting behaviour of members of EPP in the European Parliament showed weak activity against the authoritarian tendencies in Fidesz. The EPP was reluctant to exclude the large party from its ranks until early 2021, when the suspension of Fidesz was prepared. Fidesz rapidly left the EPP before the suspension could take effect.¹⁰

The combatant tone of the Hungarian government in the EU has been accompanied by a constant domestic narrative about enemies, and one such enemy is the EU. The Orbán government has played the "blame game" on the EU, systematically building the image of a malevolent and lame European Union and constantly referring to "Brussels" as a kind of outside power, rather than a club where Hungary is a member (Schlippach and Treib 2017). As a kind of communication and legitimating tool, Orbán regularly applies "national consultations" where he is asked biased questions from the public, often with anti-EU resonance. The 2015 national consultation began with the statement of Brussels's incompetence in handling immigration. In 2017, a national consultation declared that the EU's asylum plan had been prepared by the US-American investor and philanthropist (of Hungarian origin) George Soros with the aim to weaken national competencies. In 2020, a national consultation on the coronavirus pointed out that the EU's authorities had not realised the pandemic danger in time and also contained a claim that Brussels continued to attack the Hungarian Constitution and that the government should fight this (Visnovitz and Jenne 2021). The 2021 national consultation posed three questions that stated that Brussels was misusing its power launching procedures against Hungary, was planning to enforce new environmental taxes on Hungarian families instead of multinational companies and to accelerate immigration, again together with George Soros. The 2022 national consultation was on the EU's sanctions towards Russia and merits a section of its own (below).

⁹ Hungary's PM Viktor Orbán Vaccinated against COVID with Chinese Sinopharm Vaccine, *Euronews*, 28 February 2021, <https://www.euronews.com/my-europe/2021/02/28/hungary-s-pm-viktor-orban-vaccinated-against-covid-with-chinese-sinopharm-vaccine> (accessed 26 July 2023).

¹⁰ M. De la Baume, "Orbán's Fidesz Quits EPP Group in European Parliament," *Politico*, 3 March 2021, <https://www.politico.eu/article/epp-suspension-rules-fidesz-european-parliament-viktor-orban-hungary/> (accessed 26 July 2023).

Building Autocracy and EU Transfers

The international V-Dem dataset, the world's most comprehensive democracy ratings, provides detailed indices on the development of democratic features of countries. The Hungarian path is characterised by declining democracy types and rule of law as well as increasing corruption since 2010 (Figure 1). Electoral (clean and free elections, freedom of expression, independent media), liberal (protecting individual and minority rights), deliberative (dialogue at all levels of informed participants) and egalitarian democracy (compensating inequality of social groups) have all significantly weakened. Government accountability has sharply fallen.

How did Orbán stabilise his ruling power? In 2011, one of the first moves of his renewed government was to modify the Hungarian electoral law. The electoral system changed from two-round to one-round, a system of “winner compensation” was introduced and some electoral districts were gerrymandered. Different rules apply to Hungarian nationals working abroad and Hungarians living near the state

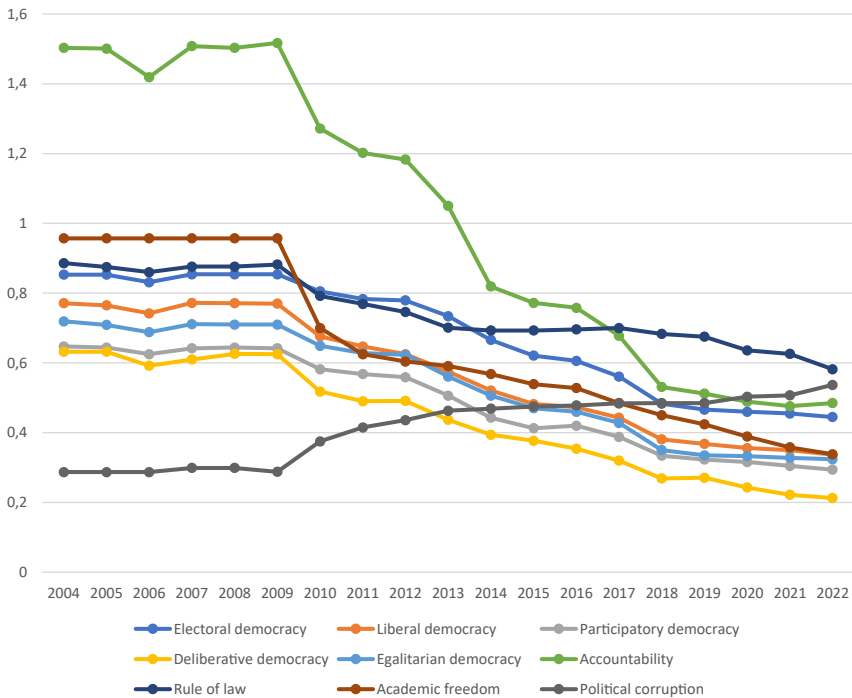


Figure 1: Democracy indices of Hungary after its accession to the EU.

Source: V-Dem database, <https://v-dem.net/data/the-v-dem-dataset/> (accessed 26 July 2023).

borders. The latter are generously financed by Orbán and are stable voters of Fidesz. These electoral laws were later modified several times. As a result, in 2014, of a total of eight million citizens eligible to vote, 2.2 million voted for Fidesz, enough for a two-thirds majority in Parliament. The following elections brought similar results, and on 3 April 2022 Orbán won his fourth consecutive term with a parliamentary supermajority (Scheppelle 2022).

Another important pillar of the Hungarian autocracy is the strong propaganda spread by the Fidesz-controlled public media. The diminishing media freedom in Hungary has been the subject of several studies and reports (Polyák 2019; International Press Institute 2022). The Hungarian model consists of four main elements: state capture through closure or government takeover of once independent media; manipulation of the media market through state resources and regulatory power; delegitimisation and exclusion of independent journalists; and preservation of the illusion of media freedom (some critical online portals, read mainly in the capital) (Griffen 2020).

Centralisation is another basic feature of the Orbán regime. Local governments' competencies have radically decreased since 2010. The legislation from 2011 did not comply in many aspects with the principles and requirements of the European Charter of Local Self-Government, and the Council of Europe had already expressed its concern in 2013. According to Article 3 of the Charter, for example, local authorities are essentially responsible for local public affairs; Article 4 declares that they should exercise their own duties with full discretion. Neither these nor the right of consultation and judicial protection required by the Charter has been respected in Hungary (Finta et al. 2021). The Monitoring Committee of the Charter assessed that through recentralisation counties have retained almost no significant competencies, do not enjoy any financial autonomy and there has been no real consultation but significant interference by the state in municipal functions. Local self-governments have been lacking financial resources, and grants to local authorities have been mostly earmarked for financing specific projects with opaque criteria (Committee on the Honouring of Obligations and Commitments 2021). Local competencies have been further decreased by the government on a case-by-case basis, often qualifying projects as "priority investments significant for the national economy" (Lukács 2021). In these cases, the investor is exempted, for example, from otherwise required environmental impact assessment and local-level regulations. Investors can thus bypass local government interventions on any issue. In 2012, the number of such "priority" projects was around 700; in 2021 their estimated number was 3000 (Csanádi et al. 2022).

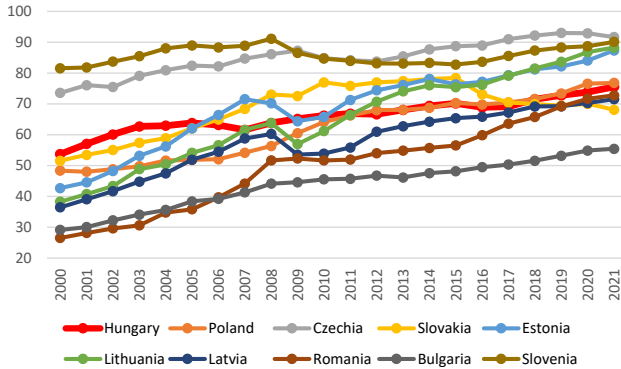


Figure 2: Convergence, gross domestic product (GDP) per capita, based on purchasing power parity (PPP), EU average = 100 (EU-27 from 2020). Source: Eurostat (TEC00114).

Economic and Social Developments

There are layers of Hungarian society disappointed in EU membership. In the period after 2000, the convergence of Hungary towards the EU has been somewhat slower than several other new member states (Figure 2).

The GDP per capita was 73.8 % of the EU average in 2020. The wage level is still one of the lowest ones in the EU and regional development is uneven and increasingly polarised (Koós and Zsibók 2021). Besides the rapid enrichment of some, social inequality (and the gap between the rural areas and large cities, mostly Budapest) is considerable in Hungary. Although improved since 2014, the deprivation index (severe poverty) remained well above the EU average and the neighbouring countries' value (Table 1).

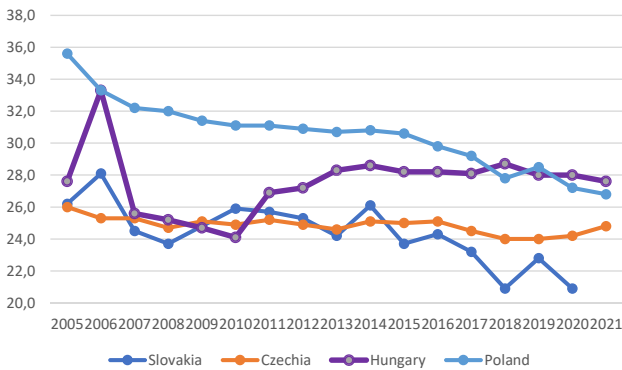
In the most disadvantaged poor regions, the share of the Roma population is high, with segregation and increased social polarisation (Kovács 2022). The Gini coefficient (signalling unequal distribution of income) increased from 2010 until 2014, and stagnated afterwards (Figure 3).

Poverty and segregation are interlinked with the dismantling of the Hungarian educational and healthcare system. The poor, ill and quasi-illiterate rural people are an important voter base of Fidesz, as was shown in consecutive elections, because their dependency on local rulers is high and their vote can sometimes be bought by small donations. Apart from this, Fidesz has built its network of local people, rural influence and power for decades (Greskovits 2020). The centralised educational

Table 1: Material and social deprivation rate (16 years or over, %).

Employed	2014	2015	2016	2017	2018	2019	2020	2021
Czechia	6.5	5.4	4.7	4.2	3.0	2.8	2.6	2.4
Hungary	32.6	29.3	25.3	19.8	15.3	14.6	12.7	12.0
Slovakia	9.8	9.0	8.4	7.1	6.3	4.9	4.9	–
Poland	14.0	10.1	6.9	6.7	5.5	4.7	3.8	3.6
Not employed								
Czechia	17.1	14.8	12.9	11.5	9.3	8.1	7.0	6.9
Hungary	45.0	41.6	34.8	28.8	22.7	24.4	23.1	22.2
Slovakia	27.5	24.1	22.7	20.8	18.7	19.6	16.1	–
Poland	26.9	22.1	17.7	17.7	15.2	13.2	9.9	10.7
Inactive								
Czechia	16.2	13.2	11.7	9.7	7.6	8.0	6.8	6.6
Hungary	46.5	44.8	40.0	31.6	26.7	28.6	25.3	24.3
Slovakia	22.0	17.7	17.7	16.5	16.0	15.7	16.0	–
Poland	28.6	23.7	19.6	19.1	16.6	15.6	11.8	11.6

Source: Eurostat (ilc_mdsd01).

**Figure 3:** Gini coefficient of equalised disposable income. Source: Eurostat (ilc_di12).

system worsened and the autonomy of the academic sphere was restricted. The salary and the reputation of teachers are one of the lowest in the EU.¹¹ The health status and premature death of Hungarians are among the worst in Europe; there is a

¹¹ “Hungarian Teachers’ Salaries Low in Regional Comparison.” *Hungary Today*, 11 March 2022. <https://hungarytoday.hu/hungarian-teachers-salaries-wages-low-comparison-education/> (accessed 10 July 2023).

significant lack of human resources; prevention and the health system are under-financed, and regional inequalities loom large (Uzzoli 2019). Despite all these problems, the national governmental propaganda emphasises the protection of and allowances to families and has spread the perception of advanced Hungarian welfare compared to welfare abroad.

In the meantime, the GDP data show a growing economy. Since the 1990s, the economic growth of Hungary has been based on foreign capital inflow. Apart from cheap qualified labour, EU membership was undoubtedly an attractive factor for investors in Hungary. Foreign capital (together with the EU's financial transfers) forms the second pillar of Kelemen's (2020) authoritarian equilibrium. Foreign multinational affiliates dominate Hungary's exports; the country is highly integrated into European global production chains. Economic contacts are the most intensive with Germany, but other European as well as Asian investors are also active. The export-oriented foreign firms have enjoyed not just political but also substantial financial support (such as in the form of low tax and individual government subsidies). The problems of the rule of law, erosion of media freedom and corruption do not hinder foreigners from doing their business in Hungary.¹² However, the government pushed nationalist rhetoric against foreign capital in certain domestic market-oriented sectors; extra taxes were introduced in banking, insurance and energy branches; and several foreign firms were bought out by the state or by loyal businessmen.¹³

Regarding the domestic business field, a large part of it participates in Hungary's autocratic regime. The wealth of the crony segment depends on public procurement and political connections. The committed conservatives are ideological supporters of Orbán. There are also emerging entrepreneurs; co-opted former left-wing businesspersons; and a large group of passive entrepreneurs who accept the regime because of the high costs of dissenting and lack of an alternative. Thus, both domestic and foreign business actors are well embedded in the system and have enjoyed the benefits of the regime facilitated by money from the EU (Scheiring 2020).

12 Éltető, A. "TEPSA Brief: 'Mutual Interests – the Hungarian Government and the Multinational Companies.'" Trans European Policy Studies Association, 26 July 2022. <https://www.tepsa.eu/tepsa-brief-mutual-interests-the-hungarian-government-and-the-multinational-companies-andrea-elteto/> (accessed 10 July 2023).

13 "2022 Investment Climate Statements: Hungary," US Department of State, Reports, Bureau of Economic and Business Affairs, n.d., <https://www.state.gov/reports/2022-investment-climate-statements/hungary/> (accessed 26 July 2023).

EU Grants and Corruption

When it comes to long-term EU budgets, the multiannual financial frameworks (MFFs), in Hungary between 2004 and 2006 these concerned the accession and gradual inclusion into EU finances. 2007 was the first year when the EU handled Hungary—except for the direct payments in the framework of the Common Agricultural Policy (CAP)—as a fully financially supported member of the Union. This meant that the country had access to an unprecedented amount of external resources from the EU budget, which provided opportunities and sometimes difficulties simultaneously. The year 2014 brought equal treatment regarding the CAP direct payments; however, the bulk of the EU’s agricultural subsidies had been subject to corruption and gone to governmental cronies.¹⁴ During the negotiations of the MFF 2014–2020, the key objective set by the Hungarian government was to keep receipts from the EU budget as high as possible. This objective has not changed for the negotiations over the MFF for 2021–2027.¹⁵

In the 2007–2013 and 2014–2020 MFF Hungary received 21 and 27 billion Euros respectively from the European Structural and Investment Funds, thus 4 % of its annual GDP on average.¹⁶ The fact that Hungary succeeded in absorbing the allocated financial resources and calculations suggests that the EU funds had the highest positive impact on its private and public investments (Czelleng and Vertes 2021). It ranked fifth among the member states in terms of EU funds per capita (Karsai 2021). The use of EU funds and the aim to spend them quickly entails a systemic corruption risk; projects implemented with EU funding are often overpriced (Kállay 2015). It is no wonder that the Hungarian government never intended to join the European Public Prosecutor’s Office, although 680,000 signatures were collected in 2019 in favour of entering the organisation.¹⁷

14 “The Money Farmers: How Eastern Europe Oligarchs and Populists Milk the E.U. for Millions.” *The New York Times*, 3 November 2019. <https://www.nytimes.com/2019/11/03/world/europe/eu-farm-subsidy-hungary.html> (accessed 10 July 2023).

15 “2014–2020 Long-Term EU Budget” and “2021–2027 Long-Term EU Budget, European Commission, Strategy and Policy, Long-Term EU Budget, https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2014-2020_en and https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027_en (accessed 26 July 2023).

16 “European Commission Cohesion Open Data Platform. Explore 2014–2020 Data by Country. Hungary” European Commission. <https://cohesiondata.ec.europa.eu/countries/HU> (accessed 10 July 2023). European Commission. 2016. *ESF Ex-post Evaluation, Synthesis 2007-2013: EU Synthesis Report – Final Version*. Luxembourg: Publications Office of the European Union. doi: 10.2767/1734 (accessed 10 July 2023).

17 “Hundreds of Thousands Sign Petition Demanding Hungary Join New EU Prosecution Body.” *Reuters*, 5 June 2019. <https://www.reuters.com/article/us-eu-hungary-prosecution-petition-idUSKCN1T61W0> (accessed 10 July 2023).

In the 2007–2013 MFF, around 37 % of the EU grants were spent on infrastructure projects (Czelleng and Vertes 2021). Jancsics and Jávör (2012) showed how the Hungarian government formed a network with a few companies, often controlled by cronies. These companies centrally organised the projects and delegated tasks to other firms in the vertical chain who built further chains with other entrepreneurs. The corrupt main actors realised economic rents by squeezing the subcontractors or simply taking money from a highly overpriced project (Civitas Institute 2018, 2021). In some cases, the European Anti-Fraud Office (OLAF) initiated examinations. According to the 2019 OLAF report, its procedures concerning Hungarian projects were concluded with a recommendation to initiate such examinations in 43 cases between 2015 and 2019.¹⁸ OLAF found by far the most irregular EU-funded projects in Hungary and recommended to the Commission to recover (an exceptionally high) 3.9 % of the resources allocated for the country. In the 2020 OLAF report, referring to 2016–2020, the same occurred for 32 cases or 2.2 %;¹⁹ and in the 2021 report referring to 2017–2021 there were 26 cases or 0.7 %.²⁰

For example, in 2018, OLAF uncovered serious irregularities related to the procurement of public electricity development, based on organised fraud in favour of the company Elios, owned by Orbán's son-in-law. Instead of punishing the fraudulent actors, the Hungarian government took over the financing of the Elios project from the EU, which meant that Hungarian taxpayers paid around 36.4 million euros.²¹ On the whole, despite the significant EU transfers since 2007, no significant regional development was implemented. As Perger (2022) shows, there is no decentralisation in the decisions, regulations often change and support tools are many but never coordinated, amounting to a lack of any regional development strategy.

In 2020–2022, two major external factors shaped the EU's financial regime: the Covid-19 pandemic and Russia's war against Ukraine. The EU rapidly reacted to the outbreak of the pandemic: in July 2020, the leaders of the member states reached an

18 Eurioean Anti-Fraud Office. 2020. *The OLAF Report 2019*. Luxembourg: Publications Office of the European Union. https://ec.europa.eu/anti-fraud/system/files/2021-09/olaf_report_2019_en.pdf (accessed 10 July 2023).

19 European Anti-Fraud Office. 2021. *The OLAF Report 2020*. Luxembourg: Publications Office of the European Union. https://ec.europa.eu/anti-fraud/system/files/2021-12/olaf_report_2020_en.pdf (accessed 10 July 2023).

20 European Anti-Fraud Office. 2022. *The OLAF Report 2021*. Luxembourg: Publications Office of the European Union. https://anti-fraud.ec.europa.eu/system/files/2022-09/olaf-report-2021_en.pdf (accessed 10 July 2023).

21 Sarnyai, G. "Following Controversies, Govt Gives up on EU Money for Elios Projects." *Hungary Today*, 14 February 2019. <https://hungarytoday.hu/following-controversies-govt-gives-up-on-eu-money-for-elios-projects/> (accessed 10 July 2023).

agreement at the special European Council meeting on the Next Generation EU recovery instrument. The European Commission was empowered to borrow funds on the capital markets on behalf of the member states—this was an absolute novelty in the history of European integration—to finance this instrument. A part of the funds (390 billion euros) could be used for non-refundable transfers to the member states, the other part (360 billion euros) for loans. In 2021, Hungary decided to apply for its potential part in non-refundable transfers, but its submitted investment and reform plan was not accepted until the end of 2022 (Council of the EU 2022).

When Russia attacked Ukraine in February 2022, the EU elaborated an 18 billion euro aid programme to Ukraine, financed by a loan. The Hungarian government has consistently opposed the loan, insisting that it would instead help Ukraine bilaterally.²² In April 2022, then, the European Commission announced the option to trigger the rule of law mechanism it had created at the end of 2020.²³ This mechanism allows the reduction of EU funding to member states where rule-of-law violations affect the EU budget and corruption is high. Hungary was the first country to face such proceedings and the possible loss of millions in EU funds.²⁴ The Hungarian government tried to reassure the Commission with 17 commitments to combat corruption, increase transparency in public procurements, increase audit and control and judiciary independence. At the end of November 2022, the Commission continued to find shortcomings and risks and suggested the additional freezing of 65 % of three already operational programmes.²⁵ As a reaction, the Hungarian parliament voted for an Act creating an Integrity Authority and an anticorruption working group. An anti-corruption strategy for the period 2021–2027 was drafted.²⁶

On 13 December 2022 a deal was struck: only 55 % of the amount foreseen for three operational programmes remained frozen (6.3 billion euros), and in exchange

22 Tamma, P. “Hungary Vetoes Ukraine Aid, EU Seeks Alternative Solution”, *Politico*, 6 December 2022. <https://www.politico.eu/article/hungary-vetoes-ukraine-aid-eu-seeks-alternative-solution/> (accessed 26 July 2023).

23 Körömi, C., and A. Horváth Kávai. “The European Commission Has Sent a Formal Note to Hungary: the Rule of Law Mechanism Has Been Launched.” *Telex*, 27 April 2022. <https://telex.hu/english/2022/04/27/the-european-commission-has-sent-a-formal-note-to-hungary-the-rule-of-law-mechanism-has-been-launched> (accessed 10 July 2023).

24 Bayer, L. “EU Launches Process to Slash Hungary’s Funds over Rule-of-Law Breaches.” *Politico*, 5 April 2022. <https://www.politico.eu/article/eu-commission-to-trigger-rule-of-law-budget-tool-against-hungary/> (accessed 10 July 2023).

25 “Commission Finds that Hungary Has Not Progressed Enough in Its Reforms and Must Meet Essential Milestones for Its Recovery and Resilience Funds.” European Commission, 30 November 2022. https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7273 (accessed 10 July 2023).

26 Factbox: Hungary’s Commitments to the EU on Cutting Corruption Risks, *Reuters*, 26 September 2022, <https://www.reuters.com/world/europe/hungarys-commitments-eu-cutting-corruption-risks-2022-09-26/> (accessed 26 July 2023).

Hungary lifted its veto on two key issues that required unanimity among the EU countries: the 18 billion Euros aid for Ukraine and the global corporate tax.²⁷ The frozen funds will be made available to Hungary if the government completes the necessary reforms within two years. Regarding the recovery instrument, payments are linked to 27 “super milestones”, including the 17 points of the rule of law mechanism and issues such as the independence of the judiciary. On 22 December, the European Commission approved the Hungarian Partnership Agreement and the Operational Programmes on 22 billion euros for the 2021–2027 EU budget. The approval ensures that Hungary does not lose the resources, but the government is still unable to access a significant portion of it. The Council at the same time warned that the proper functioning of the measures needs to be demonstrated in practice through a longer period.²⁸ A part of the frozen funds concern the Erasmus and Horizon academic programmes for 21 politically controlled universities via intransparent public trust foundations, which is a considerable blow for the Hungarian academic sector but not a high price enough for Orbán to fulfil the necessary rule of law requirements.²⁹

Public Opinion on the EU

In the past decade, both populism and Euroscepticism have become dominant features of political discourses in the EU, especially in Poland and Hungary. Csehi and Zgut (2021) point out that, unlike the also populist Polish government, the Hungarian one uses a wide range of political and legal measures (public campaigns, national consultations, legal challenges, etc.) to support its Eurosceptic populist narrative and form public opinion. A detailed analysis shows that Eurosceptics in Hungary are prevalent among the older, less educated, more socially isolated and Fidesz-voting part of the populace (Bíró-Nagy, Szászi, and Varga 2022).

In 2004, the year of EU accession, Eurobarometer public opinion surveys had shown that 89 % of Hungarian society felt European. However, Hungarian national

27 Tidey, A. “Hungary Agrees Deal and Lifts Veto on €18bn EU Aid Package for Ukraine.” *Euronews*, 13 December 2022. <https://www.euronews.com/my-europe/2022/12/13/hungary-lifts-vetoes-on-ukraine-aid-and-corporate-tax-to-lower-frozen-eu-funds> (accessed 10 July 2023).

28 “EU Cohesion Policy 2021–2027: Investing in a Fair Climate and Digital Transition while Strengthening Hungary’s Administrative Capacity, Transparency and Prevention of Corruption.” European Commission, 22 December 2022. https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7801 (accessed 10 July 2023).

29 Woods, J. “Several Hungarian Universities Will Lose Erasmus, Horizon Support Next Year.” *Daily News Hungary*, 14 July 2023. <https://dailynewshungary.com/several-hungarian-universities-will-lose-erasmus-horizon-support-next-year/> (accessed 26 July 2023).

identity was also strong (Koller 2011). Crises, reforms and critique from EU institutions soon led to some disappointment with the EU spreading in Hungarian society (Styczyńska 2017). The Eurobarometer fact sheets showed how the image of and trust in the EU changed between 2010 and 2022 among Hungarians, that is since Fidesz has been in power. In 2010–2012, the Eurozone crisis was an important topic, while the EU had already criticised the fundamental law and additional legislation on the media, the electoral system, the judiciary, the central bank, the data protection authorities as well as NGOs and Hungarian civil society. Orbán used a rather combative tone against such criticism, speaking about attacks against Hungary (Csehi and Zgut 2021). In March 2011, he claimed that “Brussels cannot dictate to Hungary what it has to do, as Soviet Moscow or Habsburg Vienna did.”³⁰ This had an effect on public opinion. In 2015, the rhetoric was similarly anti-EU when the migration crisis shaped the political and everyday discussions. The government employed billboards and a broad media campaign against “Brussels”, which, it was claimed, wanted to settle illegal migrants in Hungary. Xenophobia increased significantly. Hungarians were pro-European in the surveys, but as Krastev (2018, 3) noted they vote for governments who “use Brussels as a rhetorical punching bag while benefiting from its financial largess.”

The Orbán government does not intend to adopt the common currency despite mentioning it as a policy goal in official documents (Sadecki 2014). However, Hungarian public opinion continuously supports the introduction of the Euro quite strongly, and this support has even increased between 2015 and 2021. According to a representative survey published in 2022, 70 % of Hungarians consider the effects on economic development as the most important advantage of the EU, and 64 % support the introduction of the Euro (Bíró-Nagy, Szászi and Varga 2022).

Emigration

EU Membership facilitated the free movement of Hungarians to other member states. Apart from higher wages in the Western countries as a major pull factor, dissatisfaction with the democratic backsliding in Hungary has been a significant push factor for the country’s citizens to leave. As Kelemen (2020) shows, since Orbán came to power, emigration has accelerated in Hungary faster than in other EU member states, despite the labour shortage. As he points out, although this was not a key factor in election results, it decreased domestic opposition and increased

³⁰ Orbán, V. “1848 és 2010 is megújulást hozott.” *Kormányportál*, 15 March 2011. <https://2010-2014.kormany.hu/hu/miniszterelnokseg/miniszterelnok/beszedek-publikaciok-interjuk/1848-es-2010-is-megujulast-hozott> (accessed 10 July 2023).

remittances that financially helped the Orbán regime. This is his third pillar of the authoritarian equilibrium in Hungary. Three times more young Hungarians who politically support the opposition parties (36 %) and twice as many such people among unsure voters (24 %) feel a very strong desire to emigrate than those in the Fidesz supporter youth (12 %). The Orbán government has made it difficult for emigrants to vote (only in person on election days at embassies), while ethnic Hungarians in neighbouring countries can vote by mail for two weeks. The systematic destruction of education and the loss of autonomy in the academic sphere pushed the emigration wave further (Bíró-Nagy and Szabó 2022).

Allies in the EU and Hungarian Foreign Policy

Within the EU, Orbán has looked for right-wing, EU-critical allies and found these in the majority of EU member states. The strongest supporters of Fidesz are the Polish *Prawo i Sprawiedliwość* (Law and Justice, PiS), the Italian *Lega* (League) and *Fratelli d'Italia* (Brothers of Italy), the French *Rassemblement National* (National Rally), as well as the populist and far-right parties of many other countries. Fidesz is also a close ally of the Hungarian Democratic Alliance of Romania (Hung. *Romániai Magyar Demokrata Szövetség*, Rom. *Uniunea Democrată Maghiară din România*) within the EPP, the *Slovenska demokratska stranka* (Slovene Democratic Party) of former prime minister Janez Janša and the French *Les Républicains* (The Republicans). The German *Alternative für Deutschland* (Alternative for Germany, AfD) is an exception because Fidesz still has allies among mainstream German conservatives in the *Christlich Demokratische Union/Christlich-Soziale Union* (Christian Democratic Union/Christian-Social Union, CDU/CSU), who would evaluate the building of relations with the AfD as a serious incident (HBS-PC 2022).

The Visegrád Group

The Visegrád cooperation was established in 1991 to originally foster the Euro-Atlantic integration of its members, Czechia, Hungary, Poland and Slovakia (V4). It has been characterised by the “art of disagreeing”, meaning that if there is no consensus on an issue, the problem is put aside, and cooperation continues on other issues (Rácz 2014). The Visegrád group has an informal character based on the principle that cooperation is developed only in issues in which relatively simple agreement can be assumed (Cabada and Waisová 2018). Orbán has often stressed the importance of the V4 group, highlighted how in the European Union the growth centre of the integration would be shifted to Central Europe, and tried to find allies

challenging Brussels' bureaucracy. The economic power of the V4 is relatively modest, reaching 7.2 % of the EU-27 GDP in 2020, while being structurally dependent on the core EU countries, mainly Germany.³¹ As a joint project of the four countries, the International Visegrád Fund was established in 2000 in Bratislava to strengthen cultural, educational and other initiatives. Germany has sought new political alliances since Brexit, to balance France's influence. For the Visegrád countries, this shift of the EU's geopolitical centre eastwards provided a window of opportunity. However, in practice bilateral cooperation has been strengthened between Germany and each V4 state, rather than with the group as a cooperative effort (Urbanovská, Chovančík and Brajerčíková 2022).

Within the Visegrád group, Hungary has especially allied with Poland. Specifically, the areas of coalition of these two democratic backslider countries were their mutual protection within the EU, learning from each other (the steps of the Orbán government in particular served as a blueprint for Poland) and mutual help in the domestic political legitimisation strategies (Holesch and Kyriazi 2022). Central Europe's relations with Russia temporarily improved from 2001 onwards, motivated both by Russian economic recovery and the improved US–Russian relations at the time. Later Poland and, to a lesser extent, Czechia supported the “colour revolutions” in the successor states of the Soviet Union and in 2009 argued for the launch of the Eastern Partnership. Poland has a traditionally very strong transatlantic commitment, and Czechia has often been critical of Russia, while Slovakia and Hungary have been much more pragmatic and paid less attention to democracy and human rights (Rácz 2014). However, in 2022, the passive reaction of Orbán to the Russian aggression in Ukraine broke the political cooperation among the Visegrád countries. The traditional “Polish friends” spectacularly turned away from Hungary.³²

Heading Eastwards

In the US, Fidesz has built relations with the Republican Party, especially during Donald Trump's presidency between 2017 and 2021 (Political Capital 2022). However, more important have been the new Eastern friends gained by Hungary outside the EU. In 2012, it announced the diplomatic and economic foreign policy programme “Eastern Opening”. China, Russia, Turkey, Central and East Asia became preferred directions of trade and investment promotion. A network of trade houses was built in

³¹ World Bank data, current prices. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD> (accessed 26 July 2023).

³² Tamma, P. “Poland and Hungary: How a Love Affair Turned Toxic,” *Politico*, 29 November 2022. <https://www.politico.eu/article/moment-of-truth-for-polish-hungarian-toxic-relationship-approaches/> (accessed 26 July 2023).

41 countries, which, however, produced considerable losses and were closed in 2018. The “Eastern Opening” had organisational consequences in the Hungarian Ministry of Foreign Affairs and Trade because state secretariats and departments for non-traditional areas increased rapidly beside the single deputy state secretariat for Western allies (Visnovitz and Jenne 2021). Although the programme has not produced the expected economic results, it implicitly legitimized Hungary’s geopolitical reorientation towards Russia to a right-wing electorate (Gyóri 2021). Since 2019, Orbán has regularly participated in the Organization of Turkic States (members: Turkey, Azerbaijan, Uzbekistan, Kyrgyzstan, Kazakhstan) and has established common institutions and made friendly visits to these countries. In his speeches, Orbán often depicts the future decline of the EU and the rise of Asia and emphasises that Hungary should have good relations with Asian economies: “We are a transit country, and we want to remain a transit economy [...] a meeting place, a gateway, a contact that combines the advantages of both the East and the West. That is why we must oppose being in blocks. This is the only way a transit country, a transit economy brings benefit.”³³

South Korean and Chinese electric battery investments in Hungary are supported financially and via favourable regulations. Yet, most surprising is the Hungarian government’s fraternity with Russia—considering the two countries’ history. Between November 2010 and February 2022, Orbán and Putin met 11 times. In a spectacular deviation from the EU’s diplomacy, Orbán met the Russian president right after the Russian annexation of Crimea in 2014. Orenstein and Kelemen (2017) suggest that Putin uses Hungary as a “Trojan horse” to undermine EU institutions and to the advantage of Russian business circles. Buzogány (2017), however, argues that the Orbán government’s relation to Russia is pragmatic and business-based. We partly agree with his assessment: Orbán does utilise making business and crony deals with Russian companies and oligarchs. However, his relations with Russia have also been based on ideology and admiration of Putin’s domestic power (Ambrosio 2020).

Russian and Chinese projects in Hungary stirred domestic and European controversy, such as the Russian-financed Paks II nuclear power plant, hosting the Russian-directed International Investment Bank with diplomatic immunity for its employees and families, the Chinese-financed Budapest–Belgrade railway line and the planned establishment of the Chinese Fudan University in Budapest, with a Chinese loan. However, the friendship with Russia eventually backfired, when Putin ordered the attack on Ukraine on 24 February 2022, some days after Orbán’s visit to Moscow.

33 Orbán, V. “Orbán Viktor előadása a XXXI. Bálványosi Nyári Szabadegyetem és.” Miniszterelnöki Kabinetiroda, 23 July 2022. <https://miniszterelnok.hu/orban-viktor-eloadasa-a-xxx-i-balvanyosi-nyari-szabadegyetem-es-diaktaborban/> (accessed 10 July 2023).

The External Shock – The Russian War Against Ukraine

As a consequence of the Russian aggression against Ukraine, what has been identified as the first pillar of the autocracy equilibrium, the EU's "half-baked politicisation", has changed to a certain extent. The Union showed rapidity and unanimity in retaliating and strongly condemning Russia and at the same time backing Ukraine. Nationalist standpoints were successfully challenged and the member states demonstrated solidarity. The unification efforts of the populist radical right parties were disturbed, as they took different positions towards Russia. However, the Polish–Hungarian alliance remained robust in rule of law questions (Holesch and Zagórski 2023).

The Russian attack came before the Hungarian parliamentary elections in April 2022, and the war became a campaign topic, utilised by the prime minister to present himself as a man of peace. This major message and a row of other factors, such as populist measures of price-freezing, welfare benefits, an overwhelming media campaign, but also an incapable opposition, were fruitful: Fidesz won by a stable two-thirds majority again. The results of the election caused despair in those who do not support Orbán and increased their inclination to emigrate. Together with the end-of-pandemic effect this caused a growing outflow of people in 2022, thickening the third pillar of authoritarian equilibrium.³⁴

Since March 2022, Orbán has propagated "strategic calm" and staying out of the conflict. He has voiced strong criticism of the Western sanctions against Russia and negotiated exemptions for Hungary. Because of this behaviour the Visegrád cooperation faltered. Following the outbreak of the war, four Central and East European EU member states—Bulgaria, Czechia, Romania and Slovakia—left the Russian-dominated International Investment Bank situated in Budapest. Poland and Czechia cancelled their participation in the planned Visegrád meeting in Budapest at the end of March 2022.³⁵

Orbán voted in favour of five sanction packages of the EU without major problems. But in June, when the EU officials negotiated the sixth sanction package concerning Russian oil, Hungary was alone in insisting on the removal of the Russian

34 Soproni, H. L. "Erősödik a kivándorlás: vannak, akik a választás, mások a háború miatt hagyják el Magyarországot." *Népszava*, 19 April 2022. https://nepszava.hu/3153924_kivandorlas-valasztas-2022-haboru-ausztria (accessed 10 July 2023).

35 "Ukraine War: Poland and Czech Republic Refuse Meeting over Hungary's Stance on Russia," *Euronews*, 30 March 2022. <https://www.euronews.com/2022/03/29/visegrad-defence-ministers-meeting-cancelled-over-hungary-s-stance-on-russia> (accessed 26 July 2023).

Orthodox Patriarch Kirill from the list of people targeted with EU sanctions.³⁶ At the end of July, Hungary alone vetoed the EU's gas emergency saving plan that proposed a voluntary gas reduction plan of 15 % until 31 March 2023.³⁷ Hungary voted for the seventh sanction package because it did not concern the energy sector. Regarding the eighth sanction package, the Hungarian government obtained an exemption from the oil price cap mechanism for pipeline transport and got nuclear energy-related activities exempted.³⁸ Hungary opposed the ninth round of sanctions but eventually voted for it in mid-December 2022.³⁹

In February 2023, the EU's 10th sanction package was directed against 121 Russian individuals or entities. The Hungarian government wanted to remove names of businessmen from the sanctions list, but finally voted for the package.⁴⁰ In May 2023, they announced plans to veto the 11th sanction package, which concerned the circumvention of sanctions, aiming at making this more difficult. Apart from that, it was only Hungary that did not want to support further military aid to Ukraine (because Ukraine had blacklisted a Hungarian bank) and did not sign the report of the Organisation for Security and Cooperation in Europe (OSCE) concerning the ongoing repression in Belarus.⁴¹ However, the Hungarian government finally voted for the 11th package too.⁴²

Orbán's attitude has both domestic political and ideological motivations. Skyrocketing gas prices have made it increasingly difficult for the Hungarian government to maintain the utility price reductions scheme which has been a major factor in Orbán's popularity. In addition, the central communication campaign had emphasised before the elections that the price reductions were possible due to cheap

36 Norman, L. "Hungary's Block on Patriarch Kirill Reignites EU Tensions." *The Wall Street Journal*, 2 June 2022. <https://www.wsj.com/livecoverage/russia-ukraine-latest-news-2022-06-02/card/hungary-s-block-on-patriarch-kirill-reignites-eu-tensions-wl3lPgTvCDj2jvzcZYUi> (accessed 10 July 2023).

37 "Hungarian Gov't Votes Against Pan-EU 15 % Gas Use Cut." *Diplomacy Trade*, 26 July 2022. <https://dteurope.com/news/hungarian-govt-votes-against-pan-eu-15-gas-use-cut/> (accessed 10 July 2023).

38 Óry, M., "Hungary Supports New EU Sanctions," *Hungary Today*, 5 October 2022. <https://hungarytoday.hu/hungary-supports-the-new-eu-sanctions/> (accessed 26 July 2023).

39 "EU Approves Ninth Round of Sanctions against Russia," *Euronews*, 15 December 2022. <https://www.euronews.com/my-europe/2022/12/15/eu-approves-ninth-round-of-sanctions-against-russia> (accessed 26 July 2023).

40 "EU Agrees 10th Package of Sanctions against Russia," European Commission, Press Release, 25 February 2023. https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1185 (accessed 26 July 2023).

41 Klág, D., and A. Horváth Kávai. "Hungary Only EU Country Not to Sign OSCE Report Criticising Belarus." *Telex*, 12 May 2023. <https://telex.hu/english/2023/05/12/hungary-only-eu-country-not-to-sign-osce-report-criticising-belarus> (accessed 10 July 2023).

42 "EU Adopts 11th Package of Sanctions against Russia for Its Continued Illegal War against Ukraine," European Commission, Press Release, 23 June 2023, https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3429 (accessed 26 July 2023).

Russian gas coming to Hungary. Ideological convictions about a declining Europe also play an increasingly important role in the Orbán government's manoeuvres. In 2022, the already dominant anti-Western and pro-Russian voices in government propaganda were thus further strengthened.⁴³

The constant pro-Russian and decision-blocking or at least delaying behaviour of Orbán brought a new level of conflict to EU–Hungarian relations. This has had consequences for the second pillar of the authoritarian equilibrium: EU financial transfers. The Commission meticulously and closely monitors how the Hungarian government tries to fulfil the 27 conditions to access the Next Generation EU funds and new budgetary disbursements. Legislative tricks are not accepted anymore, negotiations are slow. The European Parliament's budget control delegation visited Budapest in May 2023 and expressed its concerns about the shortcomings of the Hungarian practices.⁴⁴ In the same month three civil members left the Anti-corruption Working Group under the Integrity Authority, doubting the effectiveness of the group.⁴⁵

The fact that the European Parliament and the European Commission took a tougher position than before concerning the freezing of part of the EU funds for Hungary triggered a defiant attitude from Orbán, as he blamed Brussels for the deteriorating Hungarian economic situation. In the autumn of 2022, a new national consultation against the sanctions policy was initiated by the Orbán government, with billboards on the streets that depicted the EU sanctions as bombs destroying Hungary. Orbán subsequently continued his peacock dance: he voted for every sanction package, but domestically denounced them. As a consequence, 36 % of Hungarians and half of Fidesz voters believed that the Orbán government never voted for these sanctions.⁴⁶ At the same time the tone of Orbán's speeches became even tougher in its attacks against the EU as a whole and several member states specifically.⁴⁷

43 Panyi, S., and A. Szabó. "Inside Victor Orban's Response to the War in Ukraine." *Telex*, 26 October 2022. <https://telex.hu/direkt36/2022/10/26/inside-viktor-orbans-response-to-the-war-in-ukraine> (accessed 10 July 2023).

44 Csonka, T. "EC Budget Control Committee Finds String of Shortcomings in Hungary." *bne IntelliNews*, 18 May 2023. <https://intellinews.com/ec-budget-control-committee-finds-string-of-shortcomings-in-hungary-279067/?source=hungary> (accessed 10 July 2023).

45 Bodoky, T. "Civilian Member of the Anti-Corruption Working Group Resigns over Secrecy Surrounding Anti-Corruption Strategy," *Átlátszó*, 25 May 2023. <https://english.atlatszo.hu/2023/05/25/civilian-member-of-the-anti-corruption-working-group-resigns-over-secrecy-surrounding-anti-corruption-strategy/> (accessed 26 July 2023).

46 "Half of Fidesz Voters Believe Government Did Not Vote for Sanctions," *Political Capital*, 5 December 2022, https://politicalcapital.hu/news.php?article_read=1&article_id=3120 (accessed 26 July 2023).

47 "On Romania Visit, Orbán Condemns EU Federalism, LGBTQ 'Offensive'," *Euractiv*, 23 July 2023. <https://www.euractiv.com/section/elections/news/on-romania-visit-orban-condemns-eu-federalism-lgbtq-offensive/> (accessed 26 July 2023).

Apart from the EU's financial support, the second pillar of the authoritarian equilibrium consists of foreign direct investment inflows. These were not discouraged by the war in the neighbourhood: several major Asian investments were announced in 2022 in Hungary. These are mostly electric battery factories serving European multinationals.⁴⁸ Elsewhere, European projects were also added to the very high level of foreign investments in 2022.⁴⁹

Conclusion and Prospects

The Hungarian prime minister Viktor Orbán has used the EU mostly as a domestic political tool, a negatively framed one. In his official speeches the EU has been continuously criticised and blamed, without mentioning any benefits or advantages of Hungary's membership. Such rhetoric belongs to the populist and nationalist strategy of the Hungarian prime minister to keep his power. At the same time, Orbán has been performing a self-declared "peacock dance" towards Brussels, which means that he has largely cooperated in any necessary steps conducive to the Union's functioning. In the meantime, the EU's political system and financial transfers to Hungary have effectively helped to maintain the Hungarian autocracy.

At the beginning of 2022, the Russian war against Ukraine put the EU in a politically and economically difficult situation. The evolving crisis has even hardened the Hungarian government's attitude towards the EU. After his electoral victory in April 2022, a scarce two months into the war, Orbán, based on this strong domestic legitimacy, his personal pride and his usual rhetoric, continued demandingly to blame Brussels for all difficulties, while in the meantime looking for other financial resources, such as imposing windfall taxes on companies or taking up a loan from China. On the other hand, the EU's attitude has become much less tolerant of the Hungarian leader. The first pillar of the authoritarian equilibrium has been shaken to some extent, as Orbán has become politically less and less viable to the EU. The second pillar has weakened too: it has become more difficult for Hungary to receive funds from Brussels because of the conditionality recently set up by the European Commission. On the other hand, however, the second pillar has been strengthened by the inflow of foreign investments, mainly from Asia, but also from Europe. The third

⁴⁸ Walderssee, V., and G. Szakács. "Focus: German Car Giants and Asian Battery Kings: a Match Made in Hungary." *Reuters*, 13 December 2022. <https://www.reuters.com/world/china/german-car-giants-asian-battery-kings-match-made-hungary-2022-12-13/> (accessed 10 July 2023).

⁴⁹ "Hungary Attracts Record EUR 6.5 bln of Investments in 2022." *Budapest Business Journal*, 29 December 2022. <https://bbj.hu/economy/finance/trade/hungary-attracts-record-eur-6-5-bln-of-investments-in-2022> (accessed 10 July 2023).

pillar has not been shaken, to the contrary: emigration has even gained a new impetus in 2022 as a consequence of Fidesz's electoral victory.

If the war in Ukraine continues, and brings further economic and political problems, tensions within the EU will continue to increase, which can be politically instrumentalised by Orbán and his right-wing allies. Orbán's rhetoric against the EU has become increasingly aggressive, revealing his real autocratic face. Domestic legitimacy and support for the Orbán regime remains enough, due to the state-directed propaganda media, the weak rule of law, the biased electoral system and the weak opposition. Therefore, we predict, the authoritarian equilibrium within the EU will remain as long as Orbán remains in power.

References

- Ágh, A. 2022. "The Orbán Regime as the 'Perfect Autocracy': The Emergence of the 'Zombie Democracy' in Hungary." *Politics in Central Europe* 18(1): 1–25. doi: 10.2478/pce-2022-0001 (accessed 10 July 2022).
- Ambrosio, T. 2014. "Beyond the Transition Paradigm: A Research Agenda for Authoritarian Consolidation." *Demokratizatsiya: The Journal of Post-Soviet Democratization* 22(3): 471–94.
- Ambrosio, T. 2020. "Russia's Effects on a Consolidated Democracy: The Erosion of Democracy in Hungary and the Putin Model." In *Authoritarian Gravity Centers: A Cross-Regional Study of Authoritarian Promotion and Diffusion*, edited by M. Kneuer and T. Demmelhuber. New York, NY: Routledge.
- Bateman, D. A., Katznelson, I., and J. S. Lapinski. 2018. *Southern Nation: Congress and White Supremacy after Reconstruction*. Princeton: Princeton University Press.
- Bíró-Nagy A., Á. Szász, and A. Varga. 2022. *Mennyi Európát szeretnénk?* Budapest: Friedrich-Ebert-Stiftung – Policy Solutions. http://www.policysolutions.hu/hu/hirek/556/mennyi_europat_szeretnenk_tanulmany (accessed 10 July 2023).
- Bíró-Nagy A., and A. Szabó. 2022. *Youth Study Hungary 2021: Discontent, Polarisation, Pro-Europeanism*. Bonn: Friedrich-Ebert-Stiftung e.V. <https://library.fes.de/pdf-files/id/19115-20220419.pdf> (accessed 10 July 2023).
- Bíró-Nagy A., and G. Laki. (2021). "Az európai uniós tagság hatása a magyar közpolitikára." *Európai Tükör* 24 (2): 67–89. doi: 10.32559/et.2021.2.4 (accessed 10 July 2023).
- Bozóki, A., and D. Hegedűs. 2018. "An Externally Constrained Hybrid Regime: Hungary in the European Union." *Democratization* 25(7): 1173–89. doi: 10.1080/13510347.2018.1455664 (accessed 10 July 2023).
- Buzogány, A. 2017. "Illiberal Democracy in Hungary: Authoritarian Diffusion or Domestic Causation?" *Democratization* 24(7): 1307–25. doi: 10.1080/13510347.2017.1328676 (accessed 10 July 2023).
- Cabada, L., and Š. Waisová. 2018. "The Visegrad Group as an Ambitious Actor of (Central-)European Foreign and Security Policy." *Politics in Central Europe* 14 (2): 9–20. doi: 10.2478/pce-2018-0006 (accessed 10 July 2023).
- Civitas Institute. 2018. *Black Book: Corruption in Hungary between 2010 and 2018*. Budapest: Civitas Intézet Gazdasági és Társadalomtudományi Kutató Zrt. and Transparency International Hungary Foundation. https://transparency.hu/wp-content/uploads/2018/03/Black-Book_EN.pdf (accessed 10 July 2023).
- Civitas Institute. 2021. *Black Book II. Corruption and State Capture in Hungary*. Budapest: Civitas Intézet Gazdasági és Társadalomtudományi Kutató Zrt. and Transparency International Hungary Foundation. https://transparency.hu/wp-content/uploads/2022/02/II_Hu_Black_Book_II_ENG.pdf (accessed 26 July 2023).

- Committee on the Honouring of Obligations and Commitments by Member States of the European Charter of Local Self-Government. 2021. *Monitoring of the European Charter of Local Self-Government in Hungary*. Strasbourg: Congress of Local and Regional Authorities. <https://rm.coe.int/monitoring-of-the-european-charter-of-local-self-government-in-hungary/1680a129f6> (accessed 10 July 2023).
- Council of the EU. 2022. “NextGenerationEU: Member States Approve National Plan of Hungary”. Press Release. 12 December 2022. <https://www.consilium.europa.eu/en/press/press-releases/2022/12/12/nextgenerationeu-member-states-approve-national-plan-of-hungary/> (accessed 26 July 2023).
- Csanádi, M., Gerő, M., Hajdu, M., Kovách, I., Laki, M., and I. J. Tóth. 2022. *Dynamics of an Authoritarian System: Hungary, 2010–2021*. Budapest: CEU Press.
- Csehi, R., and E. Zgut. 2021. “‘We Won’t Let Brussels Dictate Us’: Eurosceptic Populism in Hungary and Poland.” *European Politics and Society* 22 (1): 53–68. doi: 10.1080/23745118.2020.1717064 (accessed 10 July 2023).
- Czelleng, A., and A. Vertes. 2021. “The Impact of EU Cohesion Funds on Macroeconomic Developments in the Visegrád Countries after the 2008–2009 Financial Crisis.” In *Does EU Membership Facilitate Convergence? The Experience of the EU’s Eastern Enlargement. Vol. 2: Channels of Interaction*, edited by M. Landesmann and I. P. Székely, 67–87. Cham: Palgrave Macmillan. doi: 10.1007/978-3-030-57702-5_4 (accessed 10 July 2023).
- Elliesen, M., Henkel, N., and S. Kempe. 2019. “Ziemlich beste Feinde: Fidesz und die EU. Zur Entwicklung eines ambivalenten Verhältnisses.” In: *Staatsprojekt Europa. Eine staatsrechtliche Perspektive auf die Europäische Union*, edited by D. Keil and J. Wissel. Baden-Baden: Nomos, 137–58.
- European Commission. 2017. White Paper on the Future of Europe. Reflections and Scenarios for the EU 27 by 2025. Brussels, 1 March, 32. https://commission.europa.eu/system/files/2017-03/white_paper_on_the_future_of_europe_en.pdf (accessed 26 July 2023).
- Finta, I., Hoffman, I., Pálné Kovács, I., and G. Péteri. 2021. “A magyar önkormányzati rendszer megújulásának irányai.” *PÓLUSOK* 2(2): 3–26. doi: 10.15170/PSK.2021.02.02.01 (accessed 10 July 2023).
- Gibson, E. L. 2013. *Boundary Control: Subnational Authoritarianism in Federal Democracies*. Cambridge: Cambridge University Press.
- Greskovits, B. 2020. “Rebuilding the Hungarian Right through Conquering Civil Society: The Civic Circles Movement.” *East European Politics* 36 (2): 247–66. doi: 10.1080/21599165.2020.1718657 (accessed 10 July 2023).
- Griffen, S. 2020. “Hungary: A Lesson in Media Control.” *British Journalism Review* 31(1): 57–62. doi: 10.1177/0956474820910071 (accessed 10 July 2023).
- Győri L. 2021. Report: The Kremlin’s Financial Octopus in Hungary – The International Investment Bank and Strategic Power Projection in Central-Eastern Europe. European Values. Political Capital. 25 May. https://politicalcapital.hu/news.php?article_id=2788 (accessed 10 July 2023).
- HBS-PC 2022. “Magyar politikaibefolyás-építés – Az Orbán-rezsim törekvései az illiberalizmus exportjára.” Heinrich Böll Stiftung – Political Capital. December.
- Holesch, A., and A. Kyriazi. 2022. “Democratic Backsliding in the European Union: The Role of the Hungarian-Polish Coalition.” *East European Politics* 38 (1): 1–20. doi: 10.1080/21599165.2020.1865319 (accessed 10 July 2023).
- Holesch, A., and P. Zagórski. 2023. “Toxic Friend? The Impact of the Russian Invasion on Democratic Backsliding and PRR Cooperation in Europe.” *West European Politics* 46(6): 1178–204. doi: 10.1080/01402382.2023.2202981 (accessed 10 July 2023).
- International Press Institute. 2022. *Mission Report: Media Freedom in Hungary ahead of the 2022 Elections*. Vienna: International Press Institute. https://ipi.media/wp-content/uploads/2022/03/HU_PressFreedomMission_Report_IPI_2022.pdf (accessed 10 July 2023).

- Jancsics, D., and I. Jávör. 2012. "Corrupt Governmental Networks." *International Public Management Journal* 15 (1): 62–99. doi: 10.1080/10967494.2012.684019 (accessed 10 July 2023).
- Kállay, L. 2015. *The Corruption Risks of EU Funds in Hungary*. Transparency International Hungary. <https://transparency.hu/wp-content/uploads/2015/11/The-Corruption-Risks-of-EU-funds.pdf> (accessed 10 July 2023).
- Karsai, K. 2021. *The European Public Prosecutor's Office and Hungary: Challenge or Missed Opportunity?* Transparency International Hungary Foundation.
- Kelemen, D. 2020. "The European Union's Authoritarian Equilibrium." *Journal of European Public Policy* 27(3): 481–99.
- Koller, B. 2011. "Trajectories of Identity Formation in the Post-Enlargement Era." *Jagiellońskie Forum Europejskie* 20: 7–29.
- Koós, B., and Z. Zsibók. 2021. "Gazdaság: Az extenzív fejlődés vége." In *Területi riport*, edited by B. Koós. Budapest: Közgazdaság- és Regionális Tudományi Kutatóközpont Regionális Kutatások Intézete, 93–125. <https://m2.mtmt.hu/api/publication/32549794> (accessed 10 July 2023).
- Kovács, K. 2022. *Kontrasztok: Társadalmi és térbeli tagolódás a magyar vidéken*. In *A vidéki Magyarország a pandémia korában. IX. Falukonferencia*, edited by R. Horeczki, and T. Szabó, 17–27. Pécs: KRTK Regionális Kutatások Intézete.
- Krastev, I. 2018. "Eastern Europe's Illiberal Revolution: The Long Road to Democratic Decline." *Foreign Affairs* 97 (3): 49–56.
- Leeds, B. A. 1999. "Domestic Political Institutions, Credible Commitments, and International Cooperation." *American Journal of Political Science* 43(4): 979–1002. doi: 10.2307/2991814 (accessed 10 July 2023).
- Leeds, B. A., and D. R. Davis. 1999. "Beneath the Surface: Regime Type and International Interaction, 1953–78." *Journal of Peace Research* 36(1): 5–21.
- Losoncz, M. 2019. "Magyarország 15 éve az Unióban. Múlt, jelen, jövő, kényszerek és realitások." *Educatio* 28 (1): 21–33. doi: 10.1556/2063.28.2019.1.2 (accessed 10 July 2023).
- Lukács, A. 2021. "Growing Protests against Priority Investments in Hungary", Heinrich Böll Foundation Prague. 29 December 2021. <https://cz.boell.org/en/2021/12/29/growing-protests-against-priority-investments-hungary> (accessed 26 July 2023).
- Nyüssönen, H., and J. Metsälä. 2021. "Liberal Democracy and Its Current Illiberal Critique: The Emperor's New Clothes?" *Europe-Asia Studies* 73 (2): 273–90. doi: 10.1080/09668136.2020.1815654 (accessed 10 July 2023).
- Obydenkova, A. V., and A. Libman. 2019. *Authoritarian Regionalism in the World of International Organizations: Global Perspectives and the Eurasian Enigma*. Oxford: Oxford University Press.
- Orenstein, M. A., and R. D. Kelemen. 2017. "Trojan Horses in EU Foreign Policy." *JCMS: Journal of Common Market Studies* 55 (1): 87–102. doi: 10.1111/jcms.12441 (accessed 10 July 2023).
- Perger, É. 2022. "Az állami területfejlesztési politika pénzügyi eszközei – gondolatok Illés Iván nyomán." In *A regionalizmus: Az elmélettől a gyakorlatig: Illés Ivánra emlékezve 80. Születésnapja alkalmából*, edited by J. Nemes Nagy, and I. Pálné Kovács, 171–92. Pécs: Publikon Kiadó.
- Pevehouse, J. C. 2002. "With a Little Help from My Friends? Regional Organizations and the Consolidation of Democracy." *American Journal of Political Science* 46(3): 611–26. doi: 10.2307/3088403 (accessed 10 July 2023).
- Pevehouse, J. C. 2005. *Democracy from Above*. Cambridge: Cambridge University Press.
- Political Capital. 2022. *Magyar politikabefolyás-építés – Az Orbán-rezsim törekvései az illiberalizmus exportjára*. Prague: Heinrich Böll Foundation. https://www.politicalcapital.hu/hireink.php?article_read=1&article_id=3123 (accessed 10 July 2023).

- Polyák, G. 2019. "Media in Hungary: Three Pillars of an Illiberal Democracy." In *Public Service Broadcasting and Media Systems in Troubled European Democracies*, edited by E. Połońska, and C. Beckett, 279–303. London: Palgrave Macmillan.
- Rácz, A. 2014. "The Visegrad Cooperation: Central Europe Divided over Russia." *L'Europe en Formation* 374 (4): 61–76.
- Sadecki, A. 2014. *In a State of Necessity: How Has Orbán Changed Hungary*. Warsaw: Ośrodek Studiów Wschodnich im. Marka Karpia.
- Scheppele, K.L. 2022. "How Viktor Orbán Wins". *Journal of Democracy*, 33(3): 45–61, doi: 10.1353/jod.2022.0039 (accessed 10 July 2023).
- Scheiring, G. 2020. *The Retreat of Liberal Democracy Authoritarian Capitalism and the Accumulative State in Hungary*. London: Palgrave Macmillan.
- Schlipphak, B., and O. Treib. 2017. "Playing the Blame Game on Brussels: The Domestic Political Effects of EU Interventions against Democratic Backsliding." *Journal of European Public Policy* 24(3): 352–65. doi: 10.1080/13501763.2016.1229359 (accessed 10 July 2023).
- Stoddard, E. 2015. "So Far, So Functional? Examining Functional and Counter-functional Dynamics in Authoritarian Regional Cooperation." KFG Working Paper Series 68, <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-455979> (accessed 10 July 2023).
- Styczyńska, N. 2017. "Eurosceptic Parties in the Central and Eastern European Countries: A Comparative Case Study of Poland, Hungary and Bulgaria." In *The Routledge Handbook of Euroscepticism*, edited by B. Leruth, N. Startin, and S. Usherwood, 139–54. London: Routledge.
- Urbanovská, J., Chovančík, M., and S. Brajerčíková. 2022. "Minilateral Cooperation in the EU's Post-Brexit Common Security and Defence Policy: Germany and the Visegrád Countries." *Europe-Asia Studies* 74 (3): 402–25. doi: 10.1080/09668136.2022.2037520 (accessed 10 July 2023).
- Uzzoli, A. 2019. "Health Inequalities in Hungary—Challenges for Health Care System." In *People and their Values in the Society*, edited by T. J. Karlovitz, 129–38. Großpetersdorf: Sozial und Wirtschafts Forschungsgruppe.
- Visnovitz, P., and E. K. Jenne. 2021. "Populist Argumentation in Foreign Policy: The Case of Hungary under Viktor Orbán, 2010–2020." *Comparative European Politics* 19 (2): 683–702. doi: 10.1057/s41295-021-00256-3 (accessed 10 July 2023).
- Von Soest, C. 2015. "Democracy Prevention: The International Collaboration of Authoritarian Regimes." *European Journal of Political Research* 54(4): 623–38.

Bionotes

Andrea Éltető is a senior research fellow at the Centre for Economic and Regional Studies, Institute of World Economics in Budapest. She regularly publishes in and reviews for international and local economic journals and coordinates international and national research projects. Her fields of research include foreign direct investment in Central Europe, global value chains, foreign trade, EU integration of Hungary, and the economy of Spain.

Tamás Szemlér is an associate professor and head of the Institute of Economics at Budapest Business University, Faculty of Commerce, Hospitality and Tourism. His main research and teaching areas are European integration and world economics.