

HUNGARY WILL NOT LEAVE THE EU, EVEN IF NO FUNDING COMES

Summary

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The EU's fight against rogue Member State governments' efforts to deteriorate the rule of law in their respective countries to solidify their hold on power and immortalize it has been long. It is only now yielding the first results. The Council of the European Union, on the recommendation of the Commission, decided in December 2022 that the EU would [freeze](#) about EUR 6.3 billion in European cohesion funds allocated to Hungary until the government meets the 17 commitments it made in the areas of justice reforms and public procurements. The decision also ensured that Hungary would not receive any cohesion money until the independence of the judiciary was guaranteed. Moreover, when approving Hungary's [Recovery and Resilience Plan](#) (RRP), EU institutions created 27 'super-milestones' that the Hungarian government must meet to access recovery funds. The 17 commitments and the 27 milestones largely overlap, and they include 4 commitments to the independence of the judiciary (the so-called horizontal enabling condition), which – as noted earlier – are required for any financial transfers to be made to Hungary.

No interest in fully restoring the rule of law and getting rid of corruption

Although Hungarian government officials accused the EU of politically punishing Hungary for trying to protect its children from LGBTQI propaganda, refusing migration, and for its pro-peace stance on Ukraine, they have implemented a broad range of policy reforms to unlock the money. According to a Commission evaluation from 30 November 2022, Hungary fully complied with 10 super-milestones and partially complied with 13. The four requirements related to the judiciary were not evaluated then. Still, the Hungarian Helsinki Committee, Amnesty International and the Eötvös Károly Institute did so after the cabinet approved a judiciary reform package in May 2023. They [broke down](#) the requirements into 29 areas, saying that the cabinet fully complied with 22 of them, but only partially in the case of seven.

This seems like an unprecedented retreat from the Orbán government. Among others, they strengthened the powers of the National Judicial Council (NJC), the self-government organ of judges, who will now be able to issue a binding opinion on issues such as the decisions of the chairman of the National Judicial Office (NJO) on firing judges – among others. They also terminated the right of state institutions to turn to the Constitutional Court for a legal review of legally binding verdicts against them.

However, it is against the interest of the incumbent Hungarian government to fully deconstruct its own legal and political system that ensures political, economic, social, information and cultural dominance and offers fertile soil for corruption. In fact, corruption is the very [basis](#) of Fidesz's political system. Hence, the cabinet wants to leave some doors open. For instance, the reform package covertly maintained the possibility of electing court presidents and their deputies to become a part of the NJC, which would question its independence.

Moreover, the modified regulations clearly show that the government is not interested in the practical implementation of a robust anti-corruption framework. The newly formed Integrity Authority (IA) in charge of ensuring the protection of the EU budget in Hungary has, for instance, made a recommendation to the police to start investigations into the public procurement [victories](#) of a group of companies in the western Hungarian city of Győr. However, despite the IA's recommendations, the police and a court both decided against investigating the case.

When it comes to the suspension of the participation of Hungarian universities managed by public interest trusts in the Horizon and Erasmus+ programs, the same problem can be seen. Katalin Szili, a member of the board of trustees of the public interest trust managing the University of Pécs, was also employed at

the Prime Minister's Office. When she resigned from her government position to stay on the board, she was [appointed](#) a government commissioner almost immediately afterwards to continue performing her previous duties – just not as a government member.

What is the future of EU funds for Hungary?

Since the Hungarian government is unlikely to fully restore the rule of law and rid the country of corruption, the main question is how the “debate” over EU funds will end between the two sides. It is impossible to imagine that all funds allocated to Hungary would be unblocked in the foreseeable future. It is more likely that the Commission will show some goodwill to the Hungarian cabinet for taking steps in the right direction in some areas and unfreeze some of the cohesion and recovery funds. However, the suspension will not be fully lifted, and the EU body can be expected to demand newer and newer concessions from the Hungarian cabinet before unblocking new funds.

These demands, in turn, will be interpreted by the Hungarian ruling party as political attacks against Hungarian policies and will be used by Fidesz to turn the Hungarian population – and especially the core ruling party voter base – even further away from the European Union. In government narratives, the EU is displayed as a dangerous threat to the lives of Hungary: it is [claimed](#) to be forcing Hungary to settle migrants and allow children to be influenced by the LGBTQ lobby/propaganda.

This follows a well-known pattern: The Commission comes to Hungary with legalistic demands to strengthen the country's quality of democracy, which the Hungarian ruling party turns into a political argument, which even supports Fidesz's position domestically. The political claims made by Fidesz offer a very easily understood explanation to people about their problems or the economic challenges they are facing, and prompt the opposition to argue against almost absurd claims instead of outlining a new alternative to the Hungarian population on the country's relations with the EU and its allies.

Overall, both sides are likely to blink at one point, just enough to avoid a complete catastrophe. The Commission cannot easily give up its tough approach to rule-of-law deficiencies in Hungary. The Commission (and commissioners personally) needs the support of the largest possible number of Member States. Western member states need a tough act on the rule of law to prove to their local electorate that their taxpayer's contributions are not being spent to prop up an autocratic eastern EU regime. Parallely, many eastern and southern member states who used to be reluctant about punishing Hungary decided to give up their opposition due to Budapest's stance on the war in Ukraine.

Meanwhile, the Hungarian cabinet only has its veto powers in some EU policy fields left to force the Commission to back down, which will further alienate Hungary from its own allies. Budapest might be waiting for the 2024 EP elections and the appointment of the new Commission in hopes of facing a strengthened populist force in the Parliament and, thus, a more lenient Commission. However, this plan will likely fail to materialize fully.

Thus, in the end, the Hungarian government will have to continue to show it is committed to at least [moderating](#) the situation in Hungary and bringing corruption figures back in line with EU peers. On the other hand, the Commission will want to make some development funding available to Hungary to avoid a severe economic crisis in the country, which would very much be the case without subsidies. The current situation is already extremely [troubling](#), for instance, in the construction, energy and IT sectors.

Is 'Huxit' approaching?

More and more articles are appearing in the government-organised Hungarian press about the [benefits](#) of a potential Huxit. However, Hungary leaving the European Union is simply not a realistic possibility. 78% of exports from Hungary go to the [EU market](#), and 71% of the country's imports arrive from other EU states. As noted above, even the temporary lack of EU funds damages large Hungarian economic sectors. Thus, both access to the European market and EU subsidies are crucial for the country. Moreover, in the case of an EU exit, many multinational companies – even the new [Chinese](#) battery factories – might decide against investing in the country or delay investments.

The more realistic scenario is that the status quo will be maintained in the short- and medium-term. Hungary has already lost its ability to effectively influence EU decision-making (barring areas where unanimity is needed). It does not have enough allies to build a blocking minority of 4 states representing at least 35% of the EU population. Due to the animosity between Budapest and other capitals, Hungary's views and interests might not be taken into account sufficiently in the Union's decisions.

Additionally, Hungary will likely stay away from new initiatives aiming to strengthen EU integration, and it will even hinder these initiatives in areas that are against Hungarian interests. Hungarian vetoes can be expected to continue, especially in the case of foreign policy, which is now used by the cabinet as a tool for pressuring EU institutions and other member states. However, the government is unlikely to cross the red line of vetoing the extension of existing sanctions against Russia.

What is there to do?

Under current circumstances, there are only a few actions that international and domestic actors can take to improve the prospects of Hungary returning to the EU mainstream.

First, the European Commission and other EU institutions need to better communicate their views in Hungary and ensure they reach a substantial proportion of the Hungarian population. Their views on the rule of law in Hungary need to be explained simply.

Second, the Commission needs to very closely follow the practical implementation of the milestones by the Hungarian government and local institutions. If they find that the milestones are not being met in practice, they need to communicate this to the Hungarian population very clearly.

As for the domestic opposition, they need to stop reacting to the Hungarian government's and ruling party's statements. Instead, they need to focus on building an alternative vision and highlighting how their policies would benefit the average Hungarian. They need to state how they would unblock EU funds and what they would spend these on.

Hungarian pro-democracy forces also need to find a better way to explain the problems with the rule of law in Hungary. Abstract issues with courts or large-scale corruption rarely interest the general population. They need to focus on real-life examples and small, petty instances of corruption. The real struggle of a common Hungarian fighting for their own property after a government attempt to seize it is much more tangible and interesting to people.

Finally, there is a substantial need for a consensual Hungarian EU strategy outlining the country's goals within the Union and extending the country's influence on its decision-making processes. Naturally, it would be naïve to think that such a strategy can be created in the current political climate.

Overall, Hungary will not leave the European Union, but the relations between the two sides will not be improved in the near future, degrading Hungary's opportunity to leave its mark on the significant EU policy-making processes of these years.

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