

Evaluating the Foreign Policy of the Orbán governments since 2010

Summary

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Following its electoral victory in 2010, the consecutive Orbán governments have pursued a unique foreign policy agenda. One that has markedly different characteristics compared to the foreign policies of Hungarian governments after the “system change” brought on by the collapse of the communist regime in 1989. Post-communist foreign policy during the first independent Hungarian government was based on the principles of Euro-Atlantic integration – pursuing NATO and EU membership –, supporting Hungarian minorities abroad and establishing an overall positive relationship with neighboring states. The first Orbán government (1998-2002) had an explicitly Euro-Atlantic orientation, and Fidesz politicians in opposition (2002-2010) have made gestures showing their alignment with a European normative, values-based approach to international affairs. Critiques of Russia and China were common until 2009-2010. Entering the government in 2010, however, came with a distinct reorientation.

In the last 13 years, the foreign policy of the Orbán governments can mostly be described as a transactional approach to international relations. Transactional foreign policy is usually conceptualized as rejecting certain norms and values in international relations – mostly related to liberal democratic frameworks –to advance the state’s self-interest with a comparative advantage as opposed to those who adhere to such norms. Case studies of transactional foreign policies have focused on such examples as Trump – criticizing NATO and leaving the 2015 Paris climate agreement – and Turkey’s Erdogan. Orbán is also described as a transactional leader who, even in his communication, has rejected normative constraints on foreign policy. In his view, the norm to avoid increasing partnerships with Eurasian autocracies and countries with a negative record on human rights issues is a ruse concocted by large, developed economies to hold back developing Eastern European countries who might be benefitting from relationships with such “pariah” states.

Orbán’s most significant diplomatic strategy has been the “Eastern Opening Policy” (EOP), a broad foreign policy initiative aimed at Asian – and subsequently with African and Latin American – economies. The goal is to decrease Hungary’s one-sided reliance on Western European capital and trade – a sentiment informed by the 2008 financial crisis – and increase alternative sources of investment and trade partners. The transactional aspect of the Eastern Opening Policy comes from the fact that Orbán’s government, especially after Péter Szijjártó took over as Minister for Foreign Affairs and Trade in 2014, tends to be more than willing to

enact gestures of diplomacy towards states, whose leadership – under a normative framework – would fall under harsh scrutiny. Being an ardent supporter of the Chinese Belt and Road Initiative, welcoming autocrats on lavish state visits, and extraditing to Azerbaijan a man convicted of murdering an Armenian fellow trainee at an international program in Hungary, are part of this transactional approach. As a result of such diplomacy that caters to and welcomes autocrats, the Orbán governments have hoped to invite increased economic engagement.

Given that the Orbán governments' foreign policy approach is fundamentally transactional, the evaluation should focus on whether the hoped benefits have been achieved. Thus, we have looked at the export and import statistics of 2010-2022 based on the database of the Hungarian Bureau of Statistics. Overall, Hungary's trade has increased in this period. In 2021 and 2022, a trade deficit has developed, mostly driven by the rise in global energy prices. We've also looked at Hungary's 12 most significant trading partners in 2010, 2017 and 2021 to see whether non-EU countries' share has changed significantly. Out of the twelve, two, China and Russia, are extra-EU partners, and their share of Hungarian trade, compared to EU MS proportion, has even slightly decreased between 2010 and 2021.

Concerning new investments, according to the Central Bank of Hungary's data, the only major East Asian economy to be in the top 10 foreign investors in Hungary was South Korea, at 7th place in 2021. The largest foreign investors are still European economies, which has not changed in the last 12 years. Nevertheless, it may change slightly in the coming years, as several East Asian – mainly Chinese – companies have started greenfield investments to build EV battery factories in Hungary. The most significant is CATL's compound, which is under construction in the city of Debrecen. Analysis supporting the Eastern Opening Policy tends to point out incidental indicators that confirm the success of the initiative, such as the fact that export volume has risen over the years and the share of non-European partners has also increased. This is true, however, as critical evaluation of EOP has also shown, the goal to make Hungary less dependent on Western European economic partnership by significantly increasing the share of other countries falls short even after 12-13 years of proactive diplomacy. It is also questionable whether the East Asian companies that do initiate major developments in Hungary do so as a result of diplomatic gestures or make calculated investments incentivized by favorable tax conditions, weak labor rights and environmental

regulations. There are some major greenfield investments in Hungary by East Asian economies, and by 2023 Hungary has already become one of the most important destinations for Chinese investment in Europe. However, the government subsidies for these initiatives, amongst other stateside encouragements, and no significant repercussions of violation of environmental regulations are components of what is usually referred to as a “race to the bottom” economic strategy. This approach – pursued mainly by developing economies – might draw in investment in the short term but does not improve the economic potential in the long run and can even hinder development towards higher value-added sectors.

The tangible results of the opening to the East are best understood as tools to support the political power of the Orbán regime. The strategy of the EOP and the transactional approach to foreign policy, are easy to communicate, provide a broad framework for shaping the narrative on Hungary’s international relations, and contribute to easing the financial needs of the regime. Initiatives with partners in the EOP have shown instances where the main economic beneficiaries were business elites connected to the financial circles of the Orbán governments. As such, even if the transactional benefits are questionable, to say the least, the EOP and the broader foreign policy orientation of the Orbán governments have the potential to strengthen both its public support and the alignments of business and financial elites.

However, even with mixed results for the major foreign policy and trade initiatives, we have seen that during the 2010-2023 period, Hungary's ability to assert its interests within the EU and other integrative institutions has been weakening. The forced departure of Fidesz from the European People's Party has meant that the political institutional space for European self-interest advancement of the Hungarian government has narrowed significantly. With the Hungarian position on the rule of law procedures and the markedly different rhetoric on the Russian aggression against Ukraine – almost blatantly serving the Kremlin's interests and propaganda –, this process has become particularly spectacular. A 'measurable' part of the diplomatic and economic damage - which is otherwise difficult to estimate –, is the almost EUR 30 billion in EU financial funds being withheld, with no tangible end in sight on when and how the Hungarian government might be able to access these. A less quantifiable but still expressive factor of this decrease in international standing is that Hungary's soft power potential has rather weakened. We have looked at the results of the Portland Soft Power 30

and the Brands Finance Soft Power Ranking yearbooks from the available years (2017-2023). Where available, data shows a slight but constant decrease in Hungary's overall soft power potential. (The lack of data in the Portland Soft Power 30 case means that Hungary did not make it to the countries surveyed.) Overall, this may also undermine the potential for non-direct Hungarian advocacy.

In conclusion of our study, we might assess that the overall performance of the Orbán governments' foreign policy in the 2010-2023 period shows mixed results. The transactional approach to diplomatic relations can only hold up some incremental trade and economic results, while falling short of the Eastern Opening's strategic goal of structural diversification of Hungarian trade and investment.

The price, however, seems high, with marginalization within European institutions and the general degradation of foreign policy potential. The transactional foreign policy of the consecutive Orbán governments might provide the regime with supportive narratives and some economic incentives, but it does not provide a case study to support the overall merits of the transactional practice of international affairs.

Impressum

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