
FRANCE-HUNGARY : POSSIBLE PATHWAYS TO COOPERATION

In the context of its working group on « Prospects and Geopolitics », Synopia has programmed a series of field visits in a number of European capitals. The aim of these field visits and of talks held with leaders, journalists and other European think tanks is to put forward a project for improved governance of the European Union by the 2022 French Presidential elections. The first field visit was organised from the 23rd to 26th June 2019 in Budapest, Hungary, with the support of her Excellency Pascale Andreani, French Ambassador to Hungary.



1. Context and issues

Ever since the migrant crisis in 2015 and Hungary's refusal to take in its share of migrants as defined by the European Commission quota system, the country has often been ranked alongside other Eurosceptic, even Europhobic states. Indeed, Prime Minister Viktor Orban is seen as spearheading the European "populists". **During the field visit to Budapest, Synopia ascertained that the situation on the ground was more complex and varied than it would seem.**

A country's past shapes both its present and future: this is particularly true in the case of Hungary, where history holds pride of place. All the people Synopia held meetings with began by recalling the historical conditions and struggles that gave birth to the Hungarian Nation. Taking as starting point the interviews conducted during the field visit, this startling account aims to shed light on Hungary's positions vis-à-vis the European Union and neighbouring states. It also seeks to define the contours of an enhanced cooperation in certain areas.

A stable but dependent economy

Hungary is a landlocked state. Although growth is relatively robust (between 4% and 5%) and unemployment rates low (less than 4%), this is largely driven by foreign direct investments (FDIs) and European funds (notably the Cohesion Fund). It is also heavily reliant on the International Monetary Fund (IMF) and World Bank who have released 20 billion Euros in aid packages to Hungary since 2008. Germany has been Hungary's biggest investor since the early 1990's, notably in the automotive industry (Audi, Volkswagen etc.).

In the wake of the collapse of the Soviet Union, Hungary experienced an unprecedented wave of privatisations and opened its borders to its historical economic partners: Austria and Germany. Although Hungarians have long benefitted from European investment and the liberalisation of their domestic market, they seem to suffer from their status as German Industry's "backyard". They are increasingly turning to other potential investors, including China.

Energy : a regional challenge

Hungary is an important player within “Mitteleuropa”¹ partly owing to political influence (within the Višegrad group²) and to demographics (aside from Poland, there are sizeable Hungarian communities in other neighbouring states), but also because of its heavy economic investment in the region, especially in the energy infrastructure sector. The energy policy mix is sound: 50% of electricity from nuclear sources, renewable energy is explored within the reasonable limits of deployment. Further, Hungary is looking to diversify its gas supply, which currently comes essentially from Russia. It aims to do so by connecting to the new LNG (liquefied natural gas) terminal in Croatia, and looking into offshore gas from the Romanian part of the Black Sea. Lastly, the substantial underground gas storage capacity that Hungary has is a significant asset, including for the energy security of its neighbours.

Alongside the UK, France and Finland, Hungary is one of the European countries to have invested heavily in nuclear energy, in line with international standards. It makes use of Russian technology and work is ongoing with the Russian Federal Agency on Atomic Energy (Rosatom) on the new nuclear plant programme (Paks 2). Despite this, Hungarians still turn to European partners for provision of sub-stations and components, or for maintenance issues and measures to maintain critical skills.

Defence : a growth industry

Poland does not hide its attachment to NATO and a preference for American military equipment. Hungary however, is not hostile to the idea of a Common European Defence policy in the fields of security and defence. Seeking to diversify supply sources, it has chosen to prioritise European military equipment (purchasing Swedish fighter aircraft and French helicopters)³.

However, the establishment of a European-wide policy strategy in the field of defence, not to mention the creation of a European army as mooted by the French President- an idea that Hungary subscribes to- remain fraught with difficulty. Defence strategies vary from one State or region to another. For example, Central European States, including Hungary, are not receptive to the French and British military focus on Africa and the Mediterranean. Their position is rather that military efforts should be enhanced in Eastern Europe, along the borders of the Baltic States, Ukraine and Russia.

The European Union and Hungary : a complex relationship

Often placed firmly in the camp of anti-European countries, Hungarians nonetheless remain deeply attached to their membership of the European Union. Indeed, Hungary was the first Central European State to formally request accession to the EU, followed one week later by Poland. Because of its history, however, Hungary has become “allergic” to any attempt at interference and anxious to defend its identity from the consequences of uncontrolled migration.

The imposition of migrant quotas by the European Commission, the European Parliament vote to trigger disciplinary procedures against it (Article 7 TUE) and the prospects of a reduction in European funds allocated to Central European countries (notably via budget cuts to the Common Agricultural Policy and Cohesion Funds) all crystallised tensions between Hungary and “Brussels”.

Whilst Hungary is not anti-European, it defends a different conception of Europe. An idea which would no doubt have found favour with General de Gaulle: a Europe of the Nations. In terms of an intergovernmental Union, it is also in favour of EU enlargement to include the Balkan states.

¹ Middle Europe or *Mitteleuropa* refers both to a geographic and cultural area.

² The Višegrad group, or V4 was born in 1991 during a summit bringing together the Heads of Czechoslovakia, Hungary and Poland with the aim of joining the European Union, notably through economic integration. It traces its origins back to the 14th century when the Kings of Bohemia, Poland and Hungary sealed a commercial alliance in the town of Višegrad, in Hungary. With a population of 63 million inhabitants, i.e. almost half that of a country like France, fast growing economies and highly liberalised markets, the V4 constitutes a regional economic and political force that aims to increase its clout vis-à-vis Western European states within European negotiations.

³ Hungary and the Czech Republic ordered 14 Gripen fighter aircraft each under leasing arrangements from the Swedish aerospace company Saab. A contract for the acquisition of 20 AIRBUS H145M helicopters equipped with the HForce weapon system is currently being finalised.

Fifteen years after accession, Hungarians are more circumspect about, even disappointed by, the European Union. The causes of this disenchantment are threefold. First, despite improvement in Hungary's economic circumstances, the prospect becoming the "new Austria" has receded. Second, as well as being seen as German industry's backyard, Hungary feels that Western European states treat it as a second-class country, whose voice is less important and audible than that of the founding States. Indeed, many Central European states share this sentiment. Lastly, European migration policy and the sanctions procedure triggered by the European Parliament have stoked structural fears around interference in Hungarian affairs by a foreign power.

2. Mutual interests and pathways to cooperation

All too often, Hungary is perceived as a country « blocking » European Integration. It is rarely heeded and above all, rarely consulted. **Efforts should be made to strengthen dialogue in order to open paths to possible convergence.** The bilateral meeting that was held between Emmanuel Macron and Viktor Orban on 11th October 2019, which revealed the existence of mutual interests, is a move in this direction.

In terms of the migrant crisis, it is unlikely that Hungary will give in on the issue of migrant quotas⁴. However, this stance does not preclude the State playing a role in a different way: the EU could, for example, negotiate a higher financial contribution to a European development aid package for countries of origin (Africa and the Middle East). Indeed, Hungary devotes a significant budget to development aid for Middle Eastern Christians. It has even created a State Secretariat for this purpose.

In the area of Defence, Hungary is prepared to increase military spending to reach 2% of GDP. In light of this, Hungarians could take part in external peacekeeping operations in Africa. More than 1000 soldiers are already enrolled in the various coalitions in the Balkans, Afghanistan and to a lesser degree in Africa. Bilateral Franco-Hungarian cooperation could centre on supporting this objective.

Furthermore, France, with the aim of bolstering the European defence industry, could probably count on Hungary's support, since the latter aims to diversify its military equipment supply sources. This would constitute a **business opportunity for French defence companies**. Cooperation between our two countries could also be built around creating an **industrial and technological defence base**.

Finally, the energy sector offers multiple areas for potential cooperation. The first is in the nuclear energy sector. Here too, **France could stand to benefit from Hungary's support in the European Council in defending the nuclear industry which the EU does not otherwise promote.**

The second is linked to the central role that Hungary plays in securing energy supply in Eastern Europe. Hungary is vulnerable since gas accounts for 30% of the energy mix and it is dependent on Russia for 80% of its gas supply. **It would be in Europe's interest to support Hungary in its aim to diversify gas supply, notably through LNG.** This would lead it to open a physical route (gas pipeline) and contractual ties with a methane terminal for LNG imports. Hungary could ultimately offer its neighbours, equally dependent on Russian gas⁵ a transit route via this terminal. This transit route would be bolstered by Hungary's significant storage capacity in this area. This would not only ensure security of supply but also allow better management of winter consumption peaks in the region.

⁴ Hungarians predominantly support the Prime Minister's policy on migration. Various national consultations were carried out between 2015 and 2018 to sound out Hungarian opinion. Some of these were seen as a failure due to high abstention rates. However the one in 2017 was a resounding success : more than two million voters took part in the "Stop Brussels" consultation, with almost 90% coming out against the migrant relocation scheme put forward by the European Commission.

⁵ The Czech Republic, Slovakia, Serbia and Austria.

Conclusion

In its quest for diversification (in economic, energy and military terms), Hungary is increasingly turning to China, which is investing in transport and energy infrastructure⁶ under the new Silk Road initiative. It would be a pity for European unity but also for European businesses and industry not to take up the opportunities afforded by Hungary, and more widely the region as a whole. **Deepening dialogue between EU member states, but also with all the countries in the region (notably the Balkan states) is essential to avoid the rationale of separate blocs** which seems to be gaining ground in Europe, and which plays right into the hands of our economic competitors.

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⁶ Chinese investments in the Central European region as a whole began in the wake of the 2008 financial crisis. However, they gained pace in 2012 following an initiative taken by the Chinese Prime Minister to organise an initial summit in Budapest bringing together the Prime Ministers from sixteen European States and the Balkan states. Following the summit, the "16 + 1 group" was formed, in order to intensify cooperation between these countries and China.