

**The Place of Central Europe on Donald Trump's Map:
Convergence and Divergence on Economy-Related Issues (2)**

Közép-Európa helye Donald Trump térképén:
konvergencia és eltérés a gazdasággal
kapcsolatos kérdésekben (2.)

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Abstract: Under the Trump administration, relations between the US and Central European countries have improved significantly, while disagreements between the EU and Washington have deepened. Some of the most significant sources of tension between Brussels and Washington have been connected to the Trump administration's economic policies, especially on trade, energy and climate policy. While political relations between the US and the V4 have improved, an examination of the policies of the V4 countries in these economic issues provides a complex picture of the similarities and differences among the V4 and in relation to US policy objectives. These policy differences limit how much the US administration can rely on the V4 in its disputes with the EU.

Összefoglaló: A Trump-kormányzat hivatalba lépése óta jelentősen javultak az Egyesült Államok és a közép európai országok kapcsolatai, miközben az EU és Washington között erősödtek a viták. A Brüsszel és Washington közötti feszültségek jelentős részben a Trump-kormányzat gazdasági vonatkozású intézkedéseivel köthetők, különösen a kereskedelem, az energia és a klímapolitikát érintően. Miközben javultak a politikai kapcsolatok a V4-ek és Washington között, a V4 politikáinak vizsgálata az érintett gazdasági vonatkozású területeken egy komplex képet ad a V4 országok és Washington közötti érdekhasonlóságokról és különbségekről. A vonatkozó érdekkellentétek egyfajta korlátot képeznek arra nézve, hogy az amerikai kormányzat mennyiben tud támaszkodni a V4-re az EU-val való vitáiban.

INTRODUCTION

In our series on US – Central European relations, we conduct a detailed examination of the US–V4 relations from the perspective of some important US foreign policy objectives and how the V4 countries relate to them. This paper examines the behaviour of the V4 countries with respect to their relationship to the United States in three economic issues that have been priority areas of the Trump administration and have been on the transatlantic agenda. These economic issues are international trade, energy security, and climate policy.

The first part of the paper summarized the Trump administration's foreign policy objectives and decisions on the issues identified. It also gave an overview of the EU's responses to specific policies. The paper then provided an overview of the related V4 policies and responses by examining Poland and Czechia. This will be followed by an analysis of Slovakia and Hungary here. In this context, the key factors in formulating the policy positions are also examined, as well as what role the relationship with the US has played in the process. In reviewing the similarities and differences among the V4, the paper evaluates the impact of the diverging V4 priorities on the US policy options.

SLOVAKIA

INTERNATIONAL TRADE

Slovakia is as [dependent on the EU](#) as Czechia, with 86% of its exports destined for the EU and 80% of imports originating from it. The share of exports to the US only constitutes 3%. However, trade tensions with the US are a cause for concern for the Slovak government. Slovakia is one of the most [open economies](#) of the world, with the aggregate volume of exports and imports reaching 190% of its GDP. Hence, strengthening free trade and economic multilateralism is a key objective of Slovakia. Slovakia's Minister of Foreign and European Affairs Miroslav Lajčák shared Slovak [fears about a US withdrawal](#) from multilateral institutions in Washington in July 2019. The diplomat expressed Slovak opposition towards a "zero-sum" interpretation of international trade. Similarly to Czechia and Hungary, US tariffs on European steel and aluminium pose a serious threat to the automotive industry in Slovakia. In this context, the Slovak government [welcomed the de-escalation of a transatlantic trade war](#) after the Juncker-Trump talks and called for a special trade deal between the EU and the US eliminating the tariff and non-tariff barriers of industrial products.

During a visit by Prime Minister Peter Pellegrini to the White House in May 2019, bilateral trade issues, including Slovakia's purchase of F16 fighter jets, were at the top of the agenda, but in [the joint statement of the Prime Minister and President Trump the two leaders](#) also addressed the issue of US-EU trade. The statement emphasized the importance of reciprocity, fairness, and mutually beneficial outcomes. While there is a visible difference between the US and the Slovak trade policies, this difference is not emphasized in the public, Slovak diplomacy seeks to bridge the transatlantic differences on the issue.

ENERGY POLICY

Russia's role in its energy security is less of a concern for Slovakia than it is for Poland. The main reason behind the Slovak behaviour is that it already [managed to diversify its natural gas supplies routes](#), and it has a favourable [energy mix](#) from this perspective. While natural gas is the primary fuel for heating, nuclear energy will remain the main source of energy in Slovakia, covering more than 50% of electricity production. In theory, Slovakia would be able to fulfil domestic gas demand without Russian gas import; however, it has a long-term contract with Russia until 2030. Hence, for Bratislava there is no urgent need for the completion of regional natural gas infrastructure projects related to the TSI. At the same time, the completion of the Polish–Slovak interconnector, as well as a connection to the Croatian LNG terminal through Hungary would further strengthen the country's energy security. Slovakia's



membership in the initiative lacks any proactivity and its limited support on the [declaratory level](#) is mainly a political signal towards its close allies, including the United States.

Concerning Nord Stream 2, Slovakia's position is somewhat controversial. During the White House visit mentioned earlier, Prime Minister Pellegrini and President Trump condemned Nord Stream 2 in a [joint statement](#), and Slovakia had signed several declarations condemning the project in the previous years. However, in June 2019, Prime Minister Pellegrini negotiated with Russian Prime Minister Medvedev in Moscow, where Slovakia was offered the opportunity to connect to Nord Stream 2 and the TurkStream pipelines. According to the [Russian government's report of the event](#), Pellegrini defended the Slovak stance on Nord Stream 2 but also suggested that the country would join the projects when completed. Further confusing the picture, the Slovak diplomacy later again [confirmed its opposition](#) to Nord Stream 2 at a state secretary level meeting with Poland. Hence, Slovakia is hesitant on the subject, and this prevents Slovakia from becoming a strong supporter of US policy on Nord Stream 2.

CLIMATE CHANGE

Slovakia's policy on climate change is very much in line with mainstream European views. Slovakia's position on the issue is elaborated in the [environmental strategy](#) of the Pellegrini government, called Greener Slovakia. Slovak diplomacy has [endorsed the Paris Agreement](#) and declared that it considered the transition to carbon-neutrality an opportunity which can foster innovation and the creation of new jobs. These views were articulated by State Secretary František Ružička, who emphasized that the EU should continue to lead the [global fight against climate change](#).

Furthermore, Slovak diplomacy seeks to keep climate on the European as well as transatlantic agenda. In his [address to the European Parliament](#) in March 2019, Peter Pellegrini stated that climate change is one of the biggest threats to the EU. Later during a visit to Washington, State Secretary Ružička called for the improvement of transatlantic relations and focusing the [cooperation on long-term issues](#), such as climate change, or the rules governing cyberspace. However, Slovakia has sought to keep its differences with Washington on climate policy low key. Bratislava has not confronted the US in these matters, nor has it explicitly expressed any criticism of the American decision to withdraw from the Paris Agreement.

SUMMARY

In conclusion, Slovakia has disagreements with the US regarding international trade, energy, and climate change; however, Slovak diplomacy does not seek confrontation with Washington on these issues. The contrast between the

Trump administration's and the Pellegrini government's views on international trade, energy politics, and climate change are quite visible, although Bratislava belongs to the group of European countries which seek to mitigate rather than escalate transatlantic tensions in these areas. Concerning energy and the TSI, Bratislava certainly supports the broad objectives of diversification and infrastructure development, while carefully evaluating its priorities in the area at the same time.

HUNGARY

INTERNATIONAL TRADE

Since Hungary has a strongly open economy with respect to the share of trade to its GDP, Budapest is also committed to international free trade. Hungary is also very [dependent on the EU](#) when it comes to trade, 82% of exports and 76% of imports are covered by EU partners. Similarly to the other V4 countries, it has a strong manufacturing sector, with automotive exports covering a significant share of its exports. From this perspective, Hungary [did not welcome](#) the Trump administration's protectionist decisions against the EU. However, the Hungarian government has refrained from openly criticizing the Trump administration for its trade policy, though in reality it makes its support for the [free trade](#) position clear.

On the other hand, there is another area where Budapest has more vocally articulated its differences on trade with Washington.

The Hungarian Prime Minister has openly [declared](#) that Hungary will not refrain from expanding trade and economic relations with China, Russia, and emerging Eastern countries in general, even though Washington has put increasing pressure on its European allies to limit their economic ties with Moscow and Beijing, especially in strategic sectors like major infrastructure projects or energy. While expanding economic ties with emerging economies has been an objective of the Hungarian government, Hungary is nowhere near an outlier in comparison with other EU countries regarding trade volumes with such emerging economies. The [vast majority](#) of Hungarian trade is conducted with the EU, and this has not changed in the past eight years, while its share in the overall EU trade with these countries is a very small fraction.

ENERGY

Although Hungary continues to heavily depend on Russian natural gas, it has done a lot in the past decade to decrease its vulnerability, in line with US interests. Among others, it has built interconnectors to neighbouring countries, including Slovakia, Romania, and Croatia, with the ability to reverse flows, it has constructed huge gas storages, and it has intensified energy diplomacy



with countries both in its neighbourhood as well as with the United States. In this context, Energy Secretary Rick Perry visited Budapest in 2018, where the [two sides agreed](#) that Hungary and the US can work together in multiple areas to strengthen Hungary's energy security.

One of the most promising elements among these is cooperation with Croatia to make use of the [Krk LNG terminal](#), a project which the United States has been pushing for. With the recent developments during the fall of 2019, it seems that LNG imports could materialize in the next two years. However, the Hungarian government has also reaffirmed that it will only buy gas at a [competitive price](#), referring to the fact that American LNG is still more expensive than some of its alternatives. Hence, Budapest is not willing to pay a "security premium" to the US for energy imports, as for example Poland or the Baltic states do.

Another project with direct US economic interests and Hungarian involvement is the exploitation and export of off-shore [Black Sea gas from Romania](#) to Hungary, in which US-based Exxon is involved. The volume of the project's possible gas production and export to Hungary – 4.4 bcm, about half of Hungary's annual consumption – would be extremely significant, as it could significantly reduce Hungary's reliance on Russian gas. However, the US and Austrian [investors point](#) to the unfavourable legal environment and the Romanian extra taxes on energy companies, which defers their final decision on the project. Earlier Hungary signalled [to the investors](#) and the US administration that if all pending issues are not resolved by the fall of 2019, it will have to turn to Russia again to ensure the security of its gas supplies for the following years, also taking into consideration the uncertainty regarding the future of the Ukrainian gas transit, which still ensures most of Hungary's gas supply. Since the Romanian project is still uncertain, in December Hungary began [negotiations with Gazprom](#) on a new long-term gas deal.

Another development with which the US administration is concerned is Hungary's interest in TurkStream. Since the Romanian project is uncertain, Budapest is also interested in securing Russian gas from the [TurkStream](#) going through Bulgaria and Serbia, in order to diversify its supply routes. Budapest has [emphasised](#) multiple times, that it is not only interested in the diversification of energy sources but also that of the [energy routes](#). From this perspective, any pipeline project which decreases Hungary's dependence on the Ukrainian transit is considered part of the solution for Hungary's energy challenges. Furthermore, Hungary has not yet contributed to the Three Seas Initiative Investment Fund, although it is considering the possibility. The United States is carefully following the developments in the above-mentioned issues, and if Budapest proceeds in a way that is contrary to the US position, it may fuel tensions between the two capitals.

CLIMATE POLICY

In June 2019, Hungary was among the few countries which prevented the EU from adopting the resolution on reaching carbon neutrality by 2050. With climate policy not high on the communication agenda of the Hungarian government in recent years, there is a view that similarly to the US under the Trump administration, Hungary is among the climate-change sceptic, environmentally less responsible countries. However, such a description of Hungarian environmental policy is one-sided. Hungary has [decreased its carbon emissions](#) by [32% since 1990](#), partly due to the collapse of the heavy industry after 1989, and its energy consumption until [2030 will stagnate](#) while its GDP will likely grow significantly. Furthermore, its economy is much less reliant on coal than that of Poland and Czechia, and by 2030 it is planning to phase out coal from the energy mix.

As for the EU's carbon neutrality objective by 2050, Hungary is not opposed to the plan in principle, but it is concerned about the costs of the related energy transition for Hungary. The primary motivation behind Hungary's rejection of the EU 2050 carbon neutrality pledge was to [demonstrate solidarity](#) with Poland and Czechia. According to calculations, about 2.6% of Hungary's present GDP would have to be spent in order to reach carbon neutrality by 2050. The Hungarian [government's objective](#) is to ensure as much EU support as possible in the coming years. To demonstrate its commitment to tackling climate change, Hungary was one of the first countries to ratify the Paris Climate Agreement. However, it approaches the question with pragmatism, and is certainly not seeking to confront Washington on the issue.

SUMMARY

In sum, Hungary is on a similar platform on international trade issues than the other V4 countries. Although it is concerned about the possible escalation of trade tensions with the US, it delivers its message mainly through diplomatic channels. With respect to energy, Hungary is very supportive of gas diversification and enhancing the infrastructure in the region. At the same time, the security of gas supply, the diversification of transit routes, and economic considerations have put Budapest at odds with Washington on certain issues.

CONCLUSIONS

With respect to the above-outlined findings, there is a tendency for Central Europeans to diverge from the Trump administration's policies when purely economic considerations are the decisive factors. This is clear regarding transatlantic trade issues. Since the V4 are so economically embedded in the EU core, and the structure of their economies make them a competitor of



the US especially in certain manufacturing sectors, the V4 have no choice but to defend their vital economic interests and support the EU in standing up to American pressure. Therefore, if the United States pressures these countries into clearly choosing between the EU and the US on economic matters, it might not achieve its objectives. Such a policy would have significant costs not only for the V4 but also for the public perceptions of the US as an ally in Central Europe.

With respect to energy security, where economic and strategic factors are equally important, threat perceptions and political considerations influence the priorities of the V4 significantly. While all the V4 share the view with the US that decreasing dependence on Russia is an important objective, the V4's cost and risk calculations of the connected to different alternative energy projects are different. Where the threat perception is strong concerning Russia, as in Poland, security considerations – and aligning with the US – trump everything; however, in the other V4 countries, this is just one factor among others. It would be a mistake to explain Poland's and the other V4 countries' policies only through the lens of how they perceive Russia. Other factors, such as geography, the existing energy infrastructure, the state of the energy mix, and cost analyses are all significant factors. Among all these factors, the quality of the relations with the United States is an important but not a determining factor. It is also worth noting that Poland is the only Visegrad country to have direct geographical access to a seaport, all the other V4 countries are landlocked, so it is much easier for Warsaw to capitalize on the advantages of LNG imports. Hence, the US will only be able to pursue its interests effectively in the region regarding energy security if it provides meaningful economic and political incentives for all the Visegrad countries.

Since all V4 countries all signatories to the Paris Climate Agreement, they are on a different platform than the Trump administration. However, since many competencies in environmental regulation are in the hands of Brussels, and the V4 are usually not the frontrunners in the EU considering environmental and climate regulations, climate policy is not an area which stirs up political tensions between the US and Central Europe. At the same time, there is limited space in which Washington can influence the EU's climate policies or the transatlantic debate on the issue through its relations to Central Europeans.