

**Keep Calm and Carry On:
Hungarian-US Relations under the Biden Administration**

Nyugodj meg és folytasd –
Magyar-USA kapcsolatok a Biden-kormány alatt

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Abstract: It has been alleged that a major deterioration was going to be inevitable in the U.S.-Hungarian relations under the Biden Administration. Due to political issues, some analysts are ready to expect a low ebb of amity between Washington and Budapest. The present study goes back to the foundations and revisits the nature of the upgrading of those relations in the past four years, the different layers of American policy-making as well as their objective outcomes. This paper argues that in spite of the real potential of conflict in political communication, the United States will remain the most important ally and strategic partner of Hungary outside the European Union with enhanced cooperation in many fields, including defense cooperation within NATO. Then the study goes on to revisit different scenarios of the future relationship between Hungary and the United States.

Keywords: Hungary, U.S., Joe Biden, defense cooperation, NATO, trade policy

Összefoglalás: Sokan úgy vélik, hogy a magyar-amerikai kapcsolatok jelentős megromlása elkerülhetetlenné válik a Biden-adminisztráció alatt. A vitatott politikai kérdéseket figyelembe véve némely elemző a Washington és Budapest közötti partneri viszony mélypontjára számít. A jelen tanulmány az alapoktól vizsgálja meg a kétoldalú kapcsolatokat, azok javulását az elmúlt négy évben, az amerikai politika alakításának különböző szintjeit, valamint ezek tényleges eredményét. Tanulmányunk úgy érvel, hogy a politikai kommunikáció szintjén bekövetkező konfliktus valóban nagyon is valószínű, ám az Európai Unión kívül továbbra is az Egyesült Államok marad Magyarország legfontosabb szövetségese és stratégiai partnere, különös tekintettel a NATO-n belüli védelmi együttműködésre. Ennek megállapítása után írásunkban a magyar-amerikai kapcsolatok jövőbeli alakulásának néhány forgatókönyvét tekintjük át.

Kulcsszavak: Magyarország, USA, Joe Biden, védelmi együttműködés, NATO, kereskedelempolitika

THE LAY OF THE LAND AFTER THE BATTLE OF THE OLD MEN

Three years ago I [wrote a paper](#) on the limits of US influence in Central Europe, and after the rather tumultuous 2020 US presidential elections it might be worth having another look at the points I made back then. The six original points remain relevant today as well. Attempts to balance Brussels with Washington are still impossible: Central European countries are much more connected to the European Union than the United States, including the CEE countries that rely on the US for security guarantees, as the economic wellbeing of Poland, Estonia, Latvia, Lithuania, and Romania all depends on the Multiannual Financial Framework and

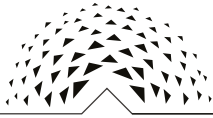
the different EU funds aimed at relieving the impacts of the COVID-19-induced economic crisis, especially as guest and seasonal workers cannot travel within the EU with ease due to health-related restrictions.

The credibility of the US to scrutinize Central European countries on their democratic (or rather, progressive) track record is still very low. After the woeful election process and a biased media coverage of both the election and the campaign, during which much of the American media became more partisan than ever, it will be difficult to argue even for President Biden that the fourth estate is an impartial umpire of the political process. Furthermore, the Biden administration will have to balance geopolitical interests and its progressive agenda when it comes to the handling of Poland (allegedly an authoritarian country based on President-elect Biden's recent speech) or Turkey, not to mention Hungary and Romania, with the latter two often criticized by European progressives on issues related to the rule of law.

The US has a long way to go to reclaim its status as the "Shining city on a hill". The handling of the pandemic, the violent protests during the summer of 2020, and the economic crisis paint a rather negative picture of the United States, regardless of the election results. The 46th president will have to deal with all these crises at the same time, when a record number of Americans are losing their jobs, social mobility is reduced, and the future looks bleak for most of the society. What the President will do about these issues remains a question, as he ran on the anti-Trump ticket, and substantial policies will be hotly debated between the establishment and the progressive wings of the Democratic Party, and even in senior cabinet appointments, as we have seen in the case of the Secretary of Defense. By winning control of the Senate, the Democrats will have an easier time in Congress during the confirmation process of senior cabinet members or future judicial nominations, but they will also have to deal with the Republicans during the legislative procedures, as many Democratic policy objectives will need more than 50 votes. When it comes to making foreign policy, significant changes still require bipartisan support in Washington, but the new administration will certainly have greater room for manoeuvre to incorporate its political agenda into US foreign policy (e.g. climate change, linking humanitarian aid to political reforms, rule of law, etc.).

The discrepancy between the messaging of the White House and US missions around the world will surely cease to exist. The progressive agenda of the US missions, especially in the field of LGBTQI+ rights, sexual and reproductive health rights, freedom of the press, open societies, and media freedoms will be underpinned by strong messaging from both the Oval Office and Foggy Bottom. Funding for Radio Free Europe/Radio Liberty, as well as subsidies for the free press (read: opposition/liberal outlets in Central and Eastern Europe) is expected to increase. Whether the messages will stick with local audiences remains a question closely connected to my previous point.

Unfulfilled promises continue to stain Central European and American relations. The US is still putting pressure on the Central European countries to become more independent from Russian energy supplies (security costs money,



as a US ambassador to the region liked to underline every time he talked about the issue), but now it seems that even Poland, having decided to buy American LNG and coal (!), is experiencing the economic downside of the purchases, as the Polish economy is becoming less competitive due to higher energy prices during a time of general economic downturn. It remains to be seen how the American involvement in the modernization of Central Europe's ageing nuclear power plants will impact electricity prices in the region, which have become very competitive recently due to increased cross-border energy trade.

Finally, European and US interests continue to diverge on some crucial structural issues, such as international trade, relations with China, and burden sharing within NATO. Even if a Biden presidency would ease some of the related transatlantic tensions that have sharpened in recent years, the underlying problems in these structural challenges will not disappear despite a more relaxed transatlantic atmosphere. Although Boris Johnson was among the first world leaders to distance himself from President Trump after the events that took place at the Capitol on 6 January, the role of the UK after Brexit remains to be seen, especially that the prospects for a future US-UK trade deal are relatively low in the short term.

The economic interests of Europe and the US are diverging further. Just a few days after the election results became known, effective November 10, 2020, the EU introduced additional tariffs on several US goods, such as passenger jets and agricultural products. One can expect the future Biden administration to re-engage in the TTIP negotiations; however, European interests might not converge with the American ones, and any EU member state (or region, remember CETA or EU-MERCOSUR) may raise an objection before the treaty can be ratified. Europe might welcome the US returning to the negotiating table, but it will certainly not cheer at US attempts to introduce GMO foodstuffs to the Single Market. Biden cannot return to the free-trade, pro-globalization mood of the pre-Trump era either, which could maintain friction with Europeans on international trade issues. And despite the shifting European perceptions on China, differences will remain between the US and Europe in how to deal with the PRC. The EU-China Comprehensive Agreement on Investment (CAI) concluded in principle on December 30, 2020 has raised some eyebrows in Washington, too, as Joe Biden has recently called for a 'coordinated approach' regarding China. While the EU is keen to engage with the new US administration in several areas, Brussels is not likely to give up its goal of strategic autonomy (characterized as 'the aim of our generation' by the President of the European Council).

THE HUNGARY-US TRACK RECORD

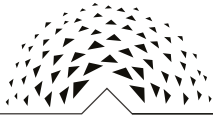
My colleague and friend Gergely Varga has written at length about why the myth of Hungary leaving the West is just a myth. It is not only about the Judeo-Christian values, the statues of President Reagan and Bush 41 in the heart of Budapest but also what Hungary has achieved in the last few years,

partly with US assistance.

Traditionally, Hungarian–US relations are examined through three categories: military, economic, and political cooperation. In the field of military cooperation, the most crucial objectives have either been met, or Hungary is on the right track to meet US requirements. The Defense Cooperation Agreement was signed recently (supposedly Atlanticist Slovakia quit the negotiations last March), Hungary announced the acquisition of a US-Norwegian air defence system worth \$1bn, and the Hungarian government pledged to increase defence spending to two percent of the GDP, as required by the Wales commitments to reinforce the Eastern Flank of NATO (Hungary will allocate 1.66% of its GDP for defence spending in 2021, a significant step that brings the country closer to the 2% NATO guideline by 2024). Hungary has always voted on the Russia sanctions in the European Council and participated in the regular NATO exercises together with other allies, including the US. The modernization of the Hungarian Defense Forces is ongoing, Soviet legacy equipment is being phased out, and in line with NATO priorities and Eastern Flank solidarity, the focus of modernization is on territorial defence, i.e. the protection of NATO and fellow member states against an outside threat.

In the field of energy security, a long-standing issue of US diplomacy in Central Europe, Hungary can be proud of its achievements. A main priority of Hungarian energy firms would be to have access to the Neptun gas fields off Romania's Black Sea shores, but despite the Hungarian government's best efforts and the repeated call for the US to intervene in solving the deadlock, American ExxonMobile is considering quitting the project due to various administrative hurdles repeatedly raised by the Romanian government. Hungary remains committed to buying natural gas from Romania should the opportunity present itself, but the failure of the US to put pressure on the actors to break the deadlock will be remembered in Budapest when the next US ambassador talks about the importance of energy security. On the other hand, Hungary, a landlocked country, has finally made progress on the Krk LNG terminal in Croatia, which will enable Hungarian service providers to have physical access to the quite liquid world LNG market through the Croatian port. In September 2020, state-owned Hungarian Electricity Works (MVM) signed a historic long-term gas supply agreement with Shell, as a result of which 10% of the gas needs of Hungary will be covered from the Krk LNG terminal until the end of 2027. The Hungarian market is open for other suppliers as well, including American ones if the price is right. Another point of American concern used to be the Paks2 nuclear power plant, which is being built by Russian state energy giant Rosatom. It is not that well-known, however, that General Electric has won tenders to supply crucial parts to the project worth hundreds of millions of dollars, thus the American engineering firm has become a significant player in securing the future energy supply of Hungary.

Economic cooperation between Hungary and the United States remains strong: US companies keep investing in Hungary, usually in the high-value-added manufacturing and services sectors. About 1,700 US companies employ around 106,000 people in Hungary, and the volume of trade was growing steadily before the COVID-19 crisis: in 2019 Hungarian exports stood at EUR 3bn (two-percent growth



from 2018), while imports from the US reached EUR 2.1bn (almost twenty-percent increase from 2018). These dynamics were much different in 2020, but the trends have been leading towards a more balanced trade between Hungary and the US before the crisis hit. The United States is the most important export partner of Hungary outside the European Union, with China coming second with EUR 1.4bn in 2018.

Not surprisingly, political relations were good between the Trump administration and the Government of Hungary: a similar ideological background and less pressure from Washington made the relationship closer than it was during the Obama presidency. As political disagreements receded, an increased amount of cooperation took place at various international fora, e.g. the United Nations. Hungary backed US efforts to bring about settlement in the Middle East, supported US initiatives at different international fora, including the United Nations, opened a new diplomatic office in Jerusalem, and Hungarian Foreign Minister Péter Szijjártó took part in the ceremonial signing of the Abraham Accords in the White House. Hungary has built cordial and close relations with the State of Israel, a key US ally in the Middle East; the strong personal relationship of PMs Orbán and Netanyahu is a clear sign of the enhanced and deep cooperation between the two countries. Furthermore, Hungarian efforts to remedy the situation of persecuted Christian communities in the Middle East through the Hungary Helps program, and Hungarian contributions to the stability of the Balkans are also in line with American interests. In this context, Hungary has especially welcomed the US efforts to promote peace and prosperity in the Western Balkans and the conclusion of the Kosovo and Serbia economic normalization agreements.

Some political disagreements remained, however: the US government kept criticizing the Government of Hungary for its allegedly close ties with China and Russia, even though – as we have seen previously – Hungary has always supported the sanctions against Russia, underscored the importance of the territorial integrity of Ukraine, increased its defence spending and participated in different multinational military drills and engagements. As for China, despite the growing trade volume, the US still by far outweighs the PRC in FDI, especially in the high-tech and high-value-added sectors.

HUNGARY AND THE US: ON A COLLISION COURSE?

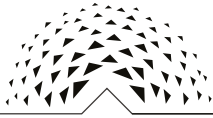
In 2021, Hungary and the United States will celebrate the 100th anniversary of the establishment of bilateral diplomatic relations. Still, political relations are expected to be on a collision once the Biden administration is inaugurated. Many foreign policy experts around the President-elect have been voicing their concerns regarding Hungary, the position of the State Department is well known, and the think tank world has spared no insult when it came to the Hungarian government and its actions in the last ten years.

It is expected that diplomatic relations will be relegated once again to the lower ranks of Foggy Bottom. Past experience shows, however, that not talking to the Hungarian government leads to no results: the detrimental actions of Chargé André Goodfriend six years ago, followed by US ignorance towards Hungarian diplomacy only persuaded the Hungarian government to look for partners elsewhere, outside the US orbit. Ironically, this has led to a rapprochement with the main rivals of the US, provoking further criticism from Washington. Focusing on trade and investment, the relegation of bilateral relations will lead the Government of Hungary to disregard the US government: in diplomacy the new partners might become even more significant, while in trade and investment the Hungarian government might focus more on its direct relationship with American companies, and possibly with US states as well.

The United States will remain the most important ally and strategic partner of Hungary outside the European Union. At the same time, the transatlantic relationship will also be vital to the new US administration in order to uphold American leadership in the world and increase the security of the globe. In this context, the American interest will probably be a strong and united European Union (which is also able and willing to cooperate with the UK in terms of economy and security). Hungary is a committed member of the EU, and the country takes part in the ongoing debate on the future of the Union in an active manner. Therefore, it would be reasonable for the US to find ways and means to cooperate with the Hungarian government on a pragmatic and practical basis instead of alienating a committed ally on vague ideological grounds and further dividing the EU in the process. Encouraging Brussels to consolidate its often hostile approach towards Hungary and Poland could be a viable American interest – at least one that should be on the table in Washington.

Hungary will remain committed to NATO, and as Prime Minister Viktor Orbán highlighted in his speech at the unveiling of the statue of George H. W. Bush in October, Hungarians will remain wary of Russia, too. From this perspective, Hungary will be supportive of NATO building closer ties with a Ukraine that is dedicated to European principles and values of democracy, rule of law, and respect for the rights of minorities. While the pursuit of these principles by Ukraine moves the objectives of the Alliance forward, disregarding them undermines not only Ukraine's prospects of becoming a stable and prospering country but the interests of the Alliance as well. In this regard, standing up for the rights of Hungarian minorities continues to be not just a matter of principle but a geopolitical interest of the West. Early signs of the more assertive behaviour of the Ukrainian government after the US election vis-à-vis national minorities are not necessarily promising, as Kyiv is seeking a freer hand thanks to Ukrainian power brokers' earlier relations and dealings with key players of the Democratic Party and the US foreign policy establishment, and tries to use the war in Eastern Ukraine as the perfect excuse for the suppression of the Hungarian minority.

Hungarian policy towards Russia will remain multi-dimensional: while in the field of security Hungary is a Russia-hawk (raising defence spending and focusing on NATO), in the field of economy Budapest cannot disregard geography: as long as



Russia remains the main energy supplier of Hungary, any Hungarian government will have to maintain at least neutral relations with the Kremlin if it does not want to see gas shipments cut off for political reasons. The Krk terminal is a step in the right direction, but the real game changer would be the opening of the Romanian offshore natural gas fields, and a new pipeline which would connect Turkey to Hungary through the Balkans, possibly with supplies from the Caspian Basin, Central Asia, and Iraq (and possibly Israel and Cyprus in the future). The US has not shown leadership in this recently, instead it attempted to undermine existing efforts to achieve source and route diversification.

Regarding China, Hungary will seek to expand its economic relations and capitalize on possible advantages of the Belt and Road Initiative and Chinese FDI in Hungary, based on the principle of equal opportunities and equal treatment of all EU member states. In this context, the Hungarian government will seek to pursue an economic strategy similar to many other EU members, taking into account that the volume of bilateral trade and Chinese FDI is still a minor fraction of the overall EU-Chinese economic figures, and the strategic impact of Hungarian-Chinese relations is negligible compared to China's relations with large EU member states. None of the proposed Chinese investments in Hungary, including the Budapest–Belgrade railway, change this strategic reality, as the Hungarian economy is much more powerful than falling into the debt trap that some developing countries have been suffering from. All Chinese projects will also have to conform with EU regulations, providing further security and transparency.

Hungary is well-aware that Russia and China have geopolitical ambitions beyond their borders, and Budapest has ample historical experience in this regard, which is the ultimate reason why it will continue to want to remain part of both the Western Alliance and the EU. Whether it is Russian, Chinese, or any other external investment, Hungary does not have the intention of giving up on its hard-fought sovereignty. Furthermore, considering any ongoing economic projects related to Russia or China, the reason Hungary chose to cooperate with them was for economic (and geopolitical) reasons: there was either no alternative, or any other option would have been much more costly or extremely difficult to execute. Hence, where there are viable economic opportunities, Hungary is eager to expand its cooperation with the US on mutually beneficial strategic projects, it would only welcome more engagement and incentives from the US side, also in the framework of the Three Seas Initiative and the TSI Investment Fund.

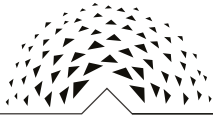
With regard to democracy and rule of law, if the Biden administration's only priority will be to apply only pressure and leave no room for dialogue, with the presumption that Hungary is led by an authoritarian government, the US administration will again find itself at a similar dead end as in 2015-2016. Furthermore, by doing so they would create unwanted rifts within the EU, which is going through a fragile internal reform process after the withdrawal of the UK. Any judgement on the state of rule of law and democracy in Hungary must

be preceded by a fair and honest dialogue (to which Hungary has always been open but only on the grounds of mutual respect), where all relevant sides are heard. While disagreements would certainly remain, such an exercise would alter the dynamic of the relationship and the dialogue for the benefit of all stakeholders.

On ideology, the Orbán government and the Biden administration is worlds apart. Progressive myths like LGBTQI+ and gender issues, equity and social justice, questions related to rule of law and media freedom, as well as symbolic issues like the one of the Central European University and populism/illiberalism will clearly be on the agenda of Washington (or rather the State Department) in the future. Whether this will have any meaningful impact on the Hungarian government is questionable at the very least.

When it comes to the proliferation of human rights, the Government of Hungary is on the side of inalienable rights and takes a conservative approach. In this rather political topic, the Government of Hungary is more than willing to participate in the debate about values and principles, which are different from those of the Biden administration. However, democracy means that all people should have the liberty to choose their democratic form of government, and this form of government might be different from that of the United States, Sweden, or Germany. Ideologically loaded questions revolving around transgender or gender issues and gay communities will not lead to any results: the Hungarian public is less sensitive to these questions as its American counterpart, and the views in the academia and the elite are much more diverse as well. Furthermore, the Hungarian government has never regarded mass migration as a viable solution to negative demographic trends (which are much more of a challenge in the EU than in the US). The majority of Hungarian society is more worried about the deterioration of the traditional family structure than the progressive concerns which have emerged in the US in the past decade (e.g. social justice, intersexuality, etc.).

The alleged democratic backsliding (aka rule of law) will be one of the key topics of US criticism of Hungary in the upcoming years. Two things are important to remember, however: according to a recent study by Globsec and the Atlantic Council, more than 80 percent of Hungarians support a liberal democracy with regular elections and a multi-party system, while Hungarians are least likely to trade their freedoms for economic well-being and physical security out of all the surveyed Central European countries. This poll shows that Hungarians are deeply committed to democracy, and it was against this backdrop that they have elected the current Hungarian government three times in a row with a constitutional majority. This obviously gives the current government a strong mandate and legitimacy to govern the country and change the political system according to the will of the people. As the municipal elections of 2019 show very well, elections remain competitive, and the opposition can mount a serious challenge for the government if it takes its responsibilities seriously. Questions about the freedom of the media are likely to emerge as well, even though journalists are free to operate and are not being jailed for what they write



(or executed, like in the case of Slovakia), and everyone can start a new media outlet should they have the money and the human resources to do so (cf. the Index-Telex case during the summer of 2020). In a rather ironic twist of events, US corporations are more responsible for the plight of the Hungarian media than the Government of Hungary, as both Google and Facebook are taking an ever-larger share of the Hungarian advertising market, destroying the business models and livelihoods of both print and online media.

In trade and investment, the US administration has less leverage, as American companies are not state-owned and the federal government does not have any control over them, including investment decisions. Of course, the overall political climate between Hungary and the US might influence the number of prospective US investments, but US firms already have a large footprint in the country, and they have access to first-hand information on the operating environment. Furthermore, bilateral trade is subject to the regulations of the Single Market, which allows practically no room for manoeuvre for the Government of Hungary to provide preferential access on US goods and investment (or to impose any kind of restrictions). One of the most pressing topics of the future in this regard, however, might be the (European or national) regulation of online service providers, and data protection is likely to take a key role in the future of EU-US trade negotiations, while it seems that the EU (and Hungary as a Member State) is more willing to regulate the likes of Facebook and Google in the future.

POSSIBLE SCENARIOS FOR BILATERAL RELATIONS

The Government of Hungary is well-prepared to participate in the political debate – indeed it has been doing so vis-à-vis the European Union for the last ten years. The messaging of PM Orbán will be familiar and appealing for most Republicans in the US, and this might also make Hungary a useful tool in the US domestic political debate. It is to be seen if the Government of Hungary will be pushing for high-level meetings with the Biden administration, whereas alleged or real US interference in Hungarian domestic politics can be a vote-winner for Fidesz in the 2022 election campaign. This also limits the extent to which the US can closely engage with the Hungarian opposition because that can easily play into the narrative of the government, which already paints opposition parties as foreign agents and faithful servants of alien interests, including a well-known Hungarian-American hedge fund manager.

Hungary will keep courting US companies to invite new FDI projects. Key areas will be the high-tech sector, manufacturing, and energy. Hungary will remain committed to the Three Seas Initiative, as it also serves Hungarian interests, and since the TSI Fund will be a private equity fund, it would be strange if political factors (like rule of law conditionality) played a role in purely

business decisions. It is expected that the US government will not necessarily have leverage over the investment decisions of American companies operating or expanding into Hungary. As Hungary is part of the Single Market, it would be very difficult for Washington to sanction Hungarian goods and services bound for the US market based on political reasons, especially as Hungary as an open economy would be very much interested in a trade agreement between the EU and the US.

As stated earlier, military cooperation will remain close and efficient, as Hungary is a steadfast NATO ally on the road to meeting the two percent pledge, plus Hungary is not as exposed to the want of US security guarantees as some other B9 countries; therefore, Budapest cannot be blackmailed with exclusion from US military programs or exercises, and this carries no political weight in the Hungarian electorate.

In the area of economy and security, significant progress has been made in Hungarian-American relations in the energy sector as well.

Summing up, the basis of Hungarian-US cooperation remains strong regardless of any election results in either country. This allows for more disagreement in political relations, but a more aggressive US stance vis-à-vis Hungary is unlikely to yield any results. Rhetorical attacks will only reinforce the Hungarian government's "besieged fortress" narrative, while elevating PM Orbán to a player in US domestic politics will only raise his standing with Republican voters and politicians. US support for the Hungarian opposition cannot be direct, as between NATO allies the open subversion of an allied government would certainly raise eyebrows. Plus, this would only discredit the opposition as foreign agents, a development which would hamper their chances in the upcoming 2022 elections. US public diplomacy efforts (like the Facebook page "Nyugati Pályán", funded indirectly by the US Embassy Budapest) usually preach to the converted and do not turn new segments of the Hungarian society against the current government. The Hungarian leadership does not need high-level visits to Washington to shore up its legitimacy at home, and it could live on happily for years without even talking to a head of division at the State Department, so diplomatic isolation is unlikely to yield any results.

As the title of my paper three years ago suggested, sticks will not replace carrots. On substantial matters, the Hungarian government is ready to work with a future Biden administration on issues of mutual interest, most notably NATO, TSI, energy security, and trade (possibly also supporting the US case for an FTA with the EU). On the other hand, Budapest is ready to pick up the gauntlet when it comes to ideology, politics, and progressivism, as the Government of Hungary firmly believes that the term 'liberal democracy' does not mean that liberals should always be in power.