



Hungarian Politics in 2015



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Table of contents

Introduction / 5

1 | A rollercoaster year for the Hungarian government

- 1.1 | Fidesz's troubles – an overview / 9**
- 1.2 | How refugees halted Fidesz's decline / 13**
- 1.3 | Orbán and the refugees: the rise of an unlikely European hero / 17**
- 1.4 | Fissures in the monolith / 20**
- 1.5 | Outlook on the Hungarian government's prospects in 2016 / 23**

2 | The Hungarian opposition in 2015 – fragmentation and stagnation

- 2.1 | The Hungarian Left is still paralysed / 27**
- 2.2 | Jobbik's charm offensive and the limits of its strategy shift / 31**
- 2.3 | Outlook on the Hungarian opposition in 2016 / 35**

3 | Hungary's foreign relations in 2015

- 3.1 | Orbán's foreign policy: it's only business / 38**
- 3.2 | Hungary and the US: new ambassador, same tensions / 41**
- 3.3 | Hungary's place in Europe / 45**
- 3.4 | Outlook on Hungary's place in the world in 2016 / 51**

4 | Economy and society

- 4.1 | The Hungarian economy in 2015 / 55**
- 4.2 | The social reality of the Orbán economy / 61**
- 4.3 | Education and health: towards a two-class system / 65**
- 4.4 | The new media landscape in Fidesz's Hungary / 71**
- 4.5 | Land privatisation 2015 / 77**
- 4.6 | Outlook on the economy and society in 2016 / 81**

Conclusion / 83

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Introduction

Policy Solutions has a long history of providing international audiences with in-depth analyses of Hungarian political life. Following the successful collaboration with the Friedrich-Ebert-Stiftung last year, for the second time we present an annual review of Hungarian politics. This is a comprehensive overview of recent developments, events and trends in Hungary in 2015. Readers may also use this review as a source of insight into specific areas of interest.

The target audience of this publication is students and academics, journalists, diplomats or international organisations. In other words, anyone who has an interest in the political, economic and social landscape of Hungary in 2015, be it a detailed analysis of the refugee crisis, major developments in foreign policy, the social reality of Viktor Orbán's economic policy or recent changes in Hungary's media landscape. It is important to stress that our review is not chronological and does not claim to be exhaustive in its scope, rather it reflects our selection of the major developments over the past twelve months.

In particular, we focus on four broad areas, presenting distinct developments in each. In the first section we review the year from the perspective of the Hungarian government, with a special emphasis on what impact the refugee crisis had on the position of Fidesz and PM Viktor Orbán both in the domestic and the international arena. In the second section we look at the opposition parties, their state and prospects. The third section focuses on foreign relations, in particular the Orbán government's place in Europe, and its delicate balancing act between East and West. Finally, we take a detailed look at how Fidesz's policies have shaped the economy and society in Hungary, and discuss the state of key public services, such as education and health. All of the sections conclude with a brief analysis of the issues which may come to the fore in 2016.

1

**A rollercoaster
year for the
Hungarian
government**



1.1 | Fidesz's troubles – an overview

Spoiled by almost a decade of near unrelenting political success, the governing party was in a downward spiral for several months between its overwhelming victory in the municipal elections in October 2014 and the spring of 2015. Entrenched as Fidesz's position may have seemed, there were indications that the party leaders were also feeling increasingly queasy about the party's inability to hit the right note with voters. Fidesz was losing support quickly, and for several months it was visibly struggling to come up with ever new ideas that strike a chord with a frustrated and distant electorate, until it started to focus on the refugee crisis. In the following, we will review and analyse the events and developments that deepened Fidesz's crisis in the first half of 2015 and the governing party's attempts to remedy the situation.

Problems originating in 2014 - conflicts with RTL Klub and Simicska, tax blunders

Fidesz's leader Viktor Orbán is no stranger to conflicts, in fact he relishes them. But two opponents he took on in 2014 apparently had more appetite for fighting back than he anticipated. The first major fight was with Hungary's leading commercial television channel, RTL Klub, which the government slapped with a blatantly unfair advertising tax designed to illustrate the benefits of political obedience. RTL Klub decided to fight back, and as a result the opposition suddenly had a key asset it had lacked for years: a widely watched television channel that was relentlessly criticising the government and described its missteps and corruption affairs in great detail.

In the meantime, in the person of Hungary's most powerful oligarch, Lajos Simicska, formerly also Orbán's friend and Fidesz's financier, the government alienated another powerful figure as it set out to curb Simicska's influence and remove his cronies from important positions in public administration. Though this conflict was initially mostly hidden from public view, it eventually became very public. While the government has inflicted massive damage on Simicska's political and business influence, the oligarch appeared just as determined to strike back as RTL Klub.

Though Orbán might have underestimated the forceful reaction of either party, the frontlines were opened deliberately and the timing was chosen to allow for a long enough stretch to absorb potential backlash. At the beginning of another full four-year term with a two-thirds majority, Orbán was in as strong a position to take on powerful enemies as he would ever be.

What was not necessarily factored in was that the government would be plagued by unforced errors. The first was the internet tax, which riled up a youthful segment of the Hungarian public like nothing Fidesz had done in the previous years. It gave the anti-Fidesz protest movement, which had mostly fizzled out by then, a new impetus. The anti-internet tax protests were dynamic and even expanded into rural areas for the first time. It is still hard to see how a party that had dealt the Gyurcsány government a major blow with the referendum over the 300 forint doctor's fee in 2008 could have failed to anticipate the blowback over a substantially higher levy. In the end, this marked one of the extremely few instances when Fidesz had to back down from an unpopular policy.

Popular resistance failed to deter Fidesz from restructuring motorway fees in a way that effectively turned them into a commuter tax, but there were protests once again in early 2015, and belief in the government's "no austerity" mantra was wearing thin. In light of RTL Klub's relentless castigation of corruption affairs that wide segments of the public would never have heard about without the TV channel's reporting, the government's efforts to collect more taxes directly from the public looked especially odious.

Making matters worse

As Fidesz's own polling figures began to slip drastically, Jobbik's began to climb cautiously, leading to widespread speculation that the far-right party could emerge as a genuine alternative to the governing party. The next pair of policy proposals to counter this trend were intended – or at least partly intended – to appeal to anti-liberal sentiments in the Fidesz base. The first proposal was to subject students and journalists to mandatory drug tests. The second was to do away with Sunday as a business day and enforce a mandatory church and rest day by ordering all but the smallest owner-operated stores closed on that day.

Just as in the case of the two new taxes Fidesz had planned, the internet tax and the motorway fee, the first proposal had to be withdrawn (in a highly unusual turn, even some loyal governing party MPs grumbled that they would not want to subject their kids to mandatory drug tests). The other was adopted despite its vast unpopularity – probably for reasons that had little to do with ideology and more with the commercial interests of pro-Fidesz retailers who drew too little business on Sunday, the family shopping day for many. It is clear that neither drug testing nor Sunday closing has had an energising effect on the Fidesz base – the two lost by-elections in February (Veszprém) and April (Tapolca) 2015 were ample enough evidence – and while the jury is still out on Sunday closing, thus far it appears to hold little promise as a long-term winner.

Brokerage scandals

In addition to relentless pounding from RTL Klub and left-wing media outlets highlighting the personal enrichment of several leading Fidesz politicians, which often vastly exceeded their official income, Fidesz was also somewhat unlucky with a series of spectacular brokerage firms going bankrupt and taking huge amounts of client money with them. Initially, the scandals did not have a political dimension (though Fidesz quickly sought to cast at least one of the affected companies as an MSZP-affiliated business), though they did raise concerns about the competence of the Central Bank – led by Orbán's economic guru György Matolcsy –, which had recently subsumed the functions of the financial oversight authority.

However, the most prominent fraud/bankruptcy involved a company, Quaestor, that was not only one of the oldest players in the Hungarian market, but also one with visible political ties, especially between the owner and CEO Csaba Tarsoly and Foreign Minister Péter Szijjártó, one of Orbán's most trusted lieutenants. Though the government once again desperately sought to implicate its predecessors on a variety of grounds, even parts of the pro-Fidesz media had trouble presenting these arguments with any enthusiasm. Some aspects of the scandals – it turned out, for example, that various government agencies and ministries held huge accounts with Quaestor, the largest slice of which was liquidated on the day when the scandal erupted, suggesting that government officials relied on insider information – had the effect of both perpetuating the presence of the scandal in the media and reinforcing the impression that the government was mired waist-deep in the affair.

A bad impression

Despite many suspicious dealings during its first term, Fidesz had until 2014 managed to avoid a reputation for corruption.

Especially during the first half of 2015, however, many allegations appeared to stick. Once again, RTL Klub more than likely played a key role in making clear to large swathes of the electorate that personal enrichment is an important consideration for many leading governing party politicians.

As a result, Fidesz agreed to quietly settle the conflict with RTL Klub by radically lowering the channel's advertising tax rate and raising it for everyone else – which in turn caused the Simicska-Orbán conflict to erupt into the open since Simicska's media outlets are worse off. This is one of the extremely rare instances when Fidesz was compelled to back down from an already adopted policy, and maybe the only one where it did so in a conflict against a private player. This illustrates the RTL group's international clout, for it had lobbied the EU and foreign governments to pressure Fidesz to do what it has finally agreed to, but also its influence over a segment of the audiences that any winning party in Hungary needs.

Pandering to the radical right

Fidesz's strategists are of course aware that even if they lose support, it will not matter a great deal as long as there is no viable alternative. It is not enough for Fidesz to lose voters unless there is a party that can pick these voters up, and in the first months of 2015 this seemed to be Jobbik. Thus for the time being Fidesz has identified the far-right party as its main competitor for votes, and it has been increasingly tailoring its communication to match the perceived needs of these voters.

This resulted in repeated declarations emphasising that Hungary is not a country of immigration and that refugees will not be accepted here. In light of recurring news about waves of refugees reaching Europe, Fidesz felt compelled to emphasise this stance and to complement it with a "national consultation" process that purported to survey voters' opinions on this issue. However, the loaded questions served no other purpose than to stress how fiercely the government rejects all immigration. Though some left-wing parties questioned the ethics of improving the government's battered standing by bashing a defenceless group rather than putting a curb on the massive public procurement tenders going to Fidesz cronies, for example, on the whole this proved to be a popular policy.

The same can be said for another issue that Fidesz was promoting for a few weeks during the spring: the evergreen death penalty. Given that there is traditionally a vast democratic gap (in this case the difference between the views of a cross border European elite and the domestic public) on this question, this is of course always a safe issue to improve one's law and order credentials. That is true even if there are effective international agreements in place that prevent Hungary from actually reinstating the death penalty, as many critics immediately pointed out.



1.2 | How refugees halted Fidesz's decline

Fidesz and the 'average Hungarian'

It is now widely accepted that there is no politician in Hungary with such an amazing knack for what the Hungarian public wants – or is at least willing to tolerate – as Prime Minister Viktor Orbán. He might have narrowly lost two winnable elections in 2002 and 2006, but at the same time he built a marginal and culturally ill-fitting party into one that is fundamentally attuned to the preferences of the Hungarian public and has successfully challenged a previously vastly larger, more established and far richer political organisation, the Hungarian Socialist Party (MSZP). Along with a manipulation of the democratic system (between 2010 and 2014), this was enough to give Fidesz successive supermajorities (2010 and 2014) in the Hungarian Parliament. This owed in large parts to Viktor Orbán's and his advisers' feel for issues that might resonate with the Hungarian public, from state interventions in the market to stirring public resentments against foreign influences.

After October 2014, however, Fidesz appeared to be increasingly hapless when it came finding issues that the public fancied. The government's attempt to focus public discourse on the perceived perils of the refugee stream appeared destined to fail as well. Hungary was not considered a popular refugee destination, and there was no indication that the public – where resentments against some indigenous minorities run fairly high – was much concerned about the issue.

Then the refugees arrived...

Suddenly, however, the issue emerged as a top concern all across Europe, with headlines proclaiming unprecedented waves of refugees reaching the continent, and it turned out that Fidesz had struck gold with the issue. The government has reinvigorated its rhetoric on the refugee issue and with news pouring in every day about hundreds (and later, thousands) of illegal refugees being caught at the border, Orbán announced the building of a giant fence to keep them out. This was of course highly symbolic, as it was a gesture that combined the promise of protection with very palpable action. This was contrasted by the governing party with the opposition, which Fidesz argued was either full of talk on the issue (the far-right Jobbik) or downright “hostile to Hungarian interests” (the Left).

Importantly for Orbán and Fidesz, the issue and its political communication has yielded political dividends in terms of halting Fidesz’s steep decline in the polls and even winning some voters back in the second half of 2015. This was a very significant development, since the governing party was defeated in two by-elections in districts it had easily carried in 2014, also losing its hallowed two-thirds majority in the process. The refugee crisis was crucial in that Fidesz needed to pick issues that gave it credibility with voters who might be susceptible to Jobbik’s charms while it simultaneously re-energised its own disgruntled base. Apathy in Fidesz’s own base has been arguably an even greater problem than actual realignment, and depressed turnout in Fidesz strongholds during the abovementioned by-elections in early 2015 supports this claim.

All the polls published during the autumn showed some growth in Fidesz’s support. At the same time, Jobbik’s seemingly inexorable rise is on pause. At the end of 2015, it can be stated that Fidesz scored two victories with its tough handling of the refugee crisis. First, it stopped its own freefall and started to grow again. Second, the governing party halted Jobbik’s momentum.

The opposition walked into a trap

Apart from ‘lucky’ timing and a recognition that this issue wouldwork, Fidesz was also helped in exploiting the refugee problem by the reactions of its competitors. From the very first moment, the opposition played right into Fidesz’s hands. The initial reaction on all sides was bewilderment: why would Fidesz pick this obscure and hardly relevant issue? Even Jobbik, which would ordinarily have been more than happy to pile on, failed to grasp that the refugee issue was going to be big. Rather than belittling the government’s anti-refugee efforts and sounding even shriller alarms, the initial Jobbik reaction – similar to parts of the left – was that Fidesz was blowing the issue out of proportion and that its handling of the question was embarrassing and over the top.

The left was vacillating between protesting the government’s stigmatisation of migrants and arguing that the problem was irrelevant. The emphasis on the humanitarian aspect was especially pronounced in the left-wing intelligentsia, parts of which engaged in an unusually energetic and creative campaign to counter Fidesz’s anti-refugee rhetoric. But the parties, too, made clear that they did not agree with efforts to rebuild the government’s popularity at the expense of an extremely vulnerable group.

By the time the fence was announced, it had become obvious that the issue was gaining more traction with voters than the opposition had anticipated. While Fidesz took a politically successful strategic approach to handling the issue, both Jobbik and the left were reduced to reacting to an environment they had failed to anticipate. Even now, several months after the relevance of the issue became obvious, the opposition parties still lack a coherent and persuasive alternative narrative/approach.

It is fair to say that on refugees, Fidesz is the major winner of Hungarian politics in 2015. While Fidesz’s gain is a loss for the entire opposition, Jobbik will likely take an even greater hit on this issue than the left. For the left, this marks another case where

Fidesz can demonstrate that these parties are out of sync with the average voters, that they are primarily concerned about minor urban intellectual issues. While individual politicians and parties on the incredibly fragmented and diverse left are trying to overcome this impediment, they are either rather unsuccessful or just too few to change popular perceptions of their parties. Still, for the left there were some redeeming aspects of the debate over the migration issue, since there were indications that Fidesz’s harsh attacks on refugees, which many considered inhumane in both tone and substance, also energised at least some segments of the activist left. There was a hugely successful fundraising campaign by the satirical political party called “Hungarian Two-Tailed Dog Party”, which was intended to counter the government’s anti-refugee billboards with ironic messages that attacked the government’s corruption and lack of humanity.

For Jobbik, however, there is nothing to balance the bitter pill that it was outmanoeuvred by Fidesz. Refugees should have been a Jobbik issue, and as the far-right party was trying to fully calibrate

its moderate tone, it missed the opportunity to play the role that it was invented for, namely protecting Hungarians from pervasive foreign influences, real or perceived. Jobbik woke up too late, and by the time when it also tried to suggest some radical solutions to the refugee crisis, Fidesz had already occupied that position. The whole issue highlights Jobbik’s strategic dilemma. If on a given issue Fidesz veers hard right while Jobbik wants to play the role of the moderate, then some of its actual or potential voters might decide that Fidesz is more credible when it comes to handling foreign influences, for example. Jobbik has emerged as a strong potential challenger to Fidesz, but the refugee issue shows that the strategic shift in its communication is still very difficult to apply in some cases. And if it bumbles, then Fidesz easily retains its primacy as the “national” party in Hungary. Given that Jobbik cannot hope to switch places and simply become the better centre-right alternative, this is an instructive warning for the far-right party.



1.3 | Orbán and the refugees: the rise of an unlikely European hero

A few years ago the most telling image of how Viktor Orbán was regarded internationally was the Green Party politician Daniel Cohn-Bendit tearing into the Hungarian prime minister in the European Parliament. While Cohn-Bendit's criticisms of Orbán were echoed by MEPs of other centrist and left-leaning European party families, the representatives of the sizeable European right mostly looked on uncomfortably, finding little they could openly defend in Orbán's anti-democratic practices. Four years on, amidst the massive refugee crisis, the picture is partly changed. The centre-left continues to bash Orbán, and the liberal ALDE group in the EP has even called for the most extreme penalty the EU has to offer, a suspension of Hungary's voting rights, which was only nixed with the support of the centre-left S&D group.

At the other end of the political spectrum, however, the previous friendly passivity has given way to increasing enthusiasm for Orbán. A good example is Bavarian Prime Minister Horst Seehofer, who leads the Bavarian sister party (the Christian Social Union, CSU) of the main German governing party, the Christian Democratic Union (CDU). Seehofer openly embraced Orbán and his refugee policies in an open snub to Chancellor Angela Merkel (CDU), whose coalition government the CSU is part of. While other mainstream conservatives are more cautious, right-wing populists tend to speak adoringly of Orbán as they blast their own governments' failure on immigration.

Paralysed leadership

The European Union and most of its mainstream leadership appear paralysed by the refugee issue. Few leading EU politicians – most importantly Angela Merkel – are willing to take a determined “pro-refugee” stance, and they are viewed with growing scepticism by large segments of the population concerned about the unceasing influx of refugees. At the same time, however, there are not many who are willing to say that the EU must halt all refugees at any price. As a result, mainstream politics in the EU has for the most part failed to chart a clear course in terms of both policies and communication.

In the meanwhile, far-right populists have their heyday: coming off a very strong year in 2014, their vocal opposition to refugees has resulted in further surges in their popularity. It is suspected that their hardline positions rejecting refugees mesh with the views of either majorities or substantial minorities. And while far-right populists tend to be in opposition, they have found a champion in Orbán, who has been the most vocal among actual European leaders in pushing their views concerning refugees both at home and in the EU in general.

Refusing the quota system

What sets Orbán apart is not only his uncompromising anti-immigration standpoint, but also the fact that he has been very vocal about his position and very consistent from the start. While most of the European leadership and the Hungarian opposition –

including Jobbik – slept through the early stages of the crisis, Orbán was already scaremongering in Hungary in early 2015.

Orbán also categorically refused to accept the EU's refugee quota scheme, as his strategy had been to get rid of all refugees in one of three ways: 1) allowing them to go west and even actively helping them to do so; 2) rejecting all applications for refugee status on the grounds that the applicants had arrived from a safe country, i.e. Serbia; 3) sealing the border and preventing the entry of further refugees. These three prongs of the underlying strategy make it potentially possible for Hungary to end up with very few refugees in the end, and that is why a quota system was deemed unacceptable.

Locking the border

What the system needed to work, however, was an effective border lock that would allow the government to implement this plan. This was so important to Orbán that he even fired his Minister of Defense, Csaba Hende. Hende was instrumental in building the fence on Hungary's southern border and was being held responsible for its delay. With the completion of the fence along the Serbian and the Croatian border, the southern border was effectively sealed. The physical completion of the border fence was also accompanied by a set of legal changes that make immigration and refugee policies a lot stricter, thus giving the government the legal tools that complement the physical instruments and reduce the net influx of refugees to near zero. This was coupled with legal amendments declaring illegal entry a criminal offence (it was petty offence until now), allowing the government to declare a state of emergency when it assesses that the refugee influx is too great to handle by ordinary means, as well for the military to be deployed for border control and the establishment of "border hunter units". It also accelerated asylum procedures, and these are now used to send virtually all those who apply for asylum in Hungary back to Serbia, which has been declared a safe country, within a few hours.

Despite the moral concerns of many, and even doubts about the legality of the new immigration/refugee control regime, the domestic effectiveness of these changes is what makes the Orbán government especially popular in large parts of Europe, from the openly xenophobic right to those segments of the centre which are concerned that the continent is facing an uncontrollable challenge. While Angela Merkel is subject to growing pressure in her own conservative party, Orbán's position of sealing the borders is increasingly seen as the way forward.

The limits of populism

Orbán's newfound popularity among populists, immigration-sceptics and, importantly, all the other Visegrád countries, has come at a price, beyond the ethical question marks surrounding the treatment of refugees. Hungary's refusal to accept any other solution but total lockdown, and its failure to coordinate with the country's EU partners, have led to conflicts with several of Hungary's neighbours (Croatia, Austria, Romania and Serbia), and have led to intense criticisms from other EU governments, notably France, Sweden, Spain and Luxemburg.

The Hungarian government was undeterred, and unlike in the case of previous conflicts with European colleagues, they knew of course that there was also genuine support out there for Orbán's policies, even if those who embrace these policies openly tend to be concentrated on the European radical right. Foreign Minister Péter Szijjártó spent so much time protesting the condemnations of his government by European partners that in the end many in the press mocked his incessant stream of statements declaring that everyone else was wrong.

On the whole, a political success

Despite the conflicts that they have engendered with several European partners, on the whole the government's refugee policies have been successful by Fidesz's own standards. Even if there are going to be residual hard feelings with several European governments, scepticism towards Fidesz and Hungary is not exactly a novelty in these circles. Moreover, as luck would have it, several of those European politicians with whom Orbán has clashed over the refugee issue are weak domestically. Austria's Chancellor Werner Faymann's party is lagging behind his far-right challenger FPÖ in the polls. FPÖ's most recent surge in the polls also owes to its open embrace of Orbán's hardline refugee policy. Similarly, the Croatian government also manoeuvred itself into a difficult position after pledging that it would be more generous than the Hungarian

government, and then abandoning this attitude on the first day when it realised just how massive the refugee flow was.

Moreover, none of the criticisms by mainstream politicians can change the fact that Orbán has stabilised his popularity in Hungary and Fidesz is once again miles ahead of its competitors. Several of Orbán's spin doctors argue that he has now emerged as a leading European figure. This may be somewhat of an exaggeration, but it is true that the longer the issue stays on the agenda, and the longer the EU appears incapable of finding solutions that will put at least the moderate sceptics at ease, the more likely Orbán is to transform his image from anti-democratic pariah to an outspoken advocate of the popular will whose foresight sets the trend in European refugee policies.

1.4 | Fissures in the monolith

A recurring motif in government party politicians' pronouncements about Fidesz are variations on the notion that Fidesz is the "central political force" in Hungary, which dominates an otherwise fragmented party scene. Orbán himself used this turn in one of his most significant strategic speeches in 2009, when he expressed his hope that his party would dominate Hungarian politics for a period of 15-20 years. Fidesz's standard narrative is that between a basically benign but excessively radical Jobbik, and a disloyal, foreign-influenced and dithering left, a tough, pragmatic and reasonable Fidesz should be the natural choice for all citizens. However, a key aspect of this self-image is that Fidesz itself be a determined and united force, that it project no weakness. Orbán has a fairly naturalistic understanding of politics, where the strong (or rather those who project strength most convincingly) prevail and the weak are relegated to irrelevance. This approach resonates with voters, even with many who would otherwise admit that this often translates into arrogance.

Yet the whole system hinges very much on Fidesz's ability to continually showcase unity. Apart from concern for the stability of his own position, this explains why Orbán is uniquely intolerant towards any signs of internal dissent. And that is why analysts jump at the slightest sign of such dissent. Consequently, conflicts between Fidesz and the leading pro-government oligarch, Lajos Simicska, as well as within Fidesz itself, have received considerable attention. The latter is for now fairly easy to control, but the former has burst violently into the open, inflicting serious harm on Fidesz's carefully maintained image of unity.

The end of a friendship

The most significant of the battles surrounding Fidesz has been certainly the fight Viktor Orbán picked with Fidesz's former financier-in-chief, the oligarch Lajos Simicska, who owns two flagship rightwing media outlets, Hír TV and the daily Magyar Nemzet. According to most sources, Orbán has come to regard his friend as too powerful, and assured by his two-thirds majority in 2014, the prime minister set out to limit Simicska's influence in a variety of ways. Orbán has supported the expansion of rival business empires, and by turning the main Hungarian public television channel (M1) into a news channel, he has threatened to cut further into Simicska's influence on the right, as well as his bottom line (already hurt by the media tax). Importantly, he has also removed many Simicska loyalists from powerful positions in government. While these decisions increased tensions between the two newly minted antagonists, they mostly stayed beneath the surface. The threat of levying a higher media tax rate on other media as part of an agreement with RTL Klub to cut the latter's excessive tax burden has brought all the pent up rage in Simicska out in the open, unleashing a stunning display of fury in February 2015.

Given the high risks involved for both sides, it had seemed unlikely that this conflict would escalate. Correspondingly, despite some criticisms of the government – especially in Hír TV – Simicska's media remained reliably pro-government and fiercely rejected the opposition. But when the rumours about the abovementioned deal began to circulate, Simicska proclaimed a total "media war" and – as the entire top tier of his media enterprises resigned in unison – went on a verbal rampage that was unprecedented in Hungarian

politics. He lashed out at Orbán in the foulest language imaginable and said that he was now engaged in a war where only one would be left standing.

A warrior for democracy?

Perhaps most surprisingly, Simicska said his main concern was not money but values and democracy. He accused Orbán of building a dictatorship, which he said had not been part of the deal between them. While many in Hungary would not dispute that Orbán has inflicted substantial damage to democracy, they would also add that Simicska's media were active partners in all the dubious practices of the Fidesz government, right up to the point when it cost the Simicska empire money, which the media mogul claims to be unconcerned about.

Regardless of the real motivations, the most important question has been what harm each of the participants can inflict on the other and whether in light of their mutual ability to damage each other's core "business" they will arrive at an accommodation. As for the potential harm, Fidesz's instruments have been obvious. The reliance of Simicska's companies on public procurement and state advertising as well as other subsidies, not to mention all the different ways in which Parliament can wield its legislative powers to hurt his businesses (and which it had so prodigiously used previously to hurt Simicska's competition), have always suggested that Fidesz has the more potent arsenal. Yet everyone assumes that in addition to his media outlets – which have thus far benefitted substantially from government leaks – the oligarch also has a treasure trove of information on shady deals, corruption affairs, etc., and Simicska himself has also hinted at this in one of the many interviews he gave in February, spectacularly abandoning over a decade and a half of strict press avoidance. However, by revealing some juicy details about shady deals that the public has long suspected, he would set himself up as a target for the authorities. That does not imply that Simicska has no instruments at his disposal. He can always

leak information through proxies, and he still has powerful media outlets, influential friends and a vast fortune.

Young guns vs. old hands

In terms of internal conflicts, there appears to be an emerging rift between old Fidesz hands and Orbán's coterie of young stars, especially the minister in charge of the Prime Minister's Office, János Lázár, and Fidesz's former parliamentary leader and current minister in charge of the Prime Minister's Cabinet Office Antal Rogán, who are now the most powerful figures in Fidesz after Orbán himself. Rogán and Lázár are among the most prominent subjects of reports about flashy displays of unexplained wealth, and given the widespread suspicions about the origins of their money (neither of the two politicians has held jobs outside politics) they have become symbols of governmental graft, which is increasingly seen (once again) as pervasive by large segments of the public. Apart from the envy that their wealth would arouse in any case, it appears that some Fidesz politicians are also concerned about the damage this does to the governing party's public standing.

These concerns were first raised publicly by Fidesz vice-chairman Zoltán Pokorni, who attacked the lavish lifestyle of his party friends. Pokorni's warning could have been written off as the grumbling of a marginalised figure, sidelined even in his own area of expertise, education policy. Rather than ignoring the attack, however, János Lázár struck back, warning that by undermining the current leadership Pokorni was ultimately undermining himself. This was a classic call to close ranks, with a hint of menace.

The real surprise was when the speaker of Parliament, László Kövér, entered the fray backing Pokorni, arguing that the latter only said aloud what many in the party thought. Given Kövér's stature, Pokorni's warnings no longer seemed like an isolated incident. In power terms, Kövér is somewhat of a nebulous figure, for he has not wielded any position with actual power in a long time, nor is

he known for having a group of allies within the party. But he is reputedly close to Viktor Orbán.

Rogán vs. Lázár

The rivalry between the two ambitious young stars, Antal Rogán and János Lázár, has also been a frequent topic in the Hungarian media. Lázár, the minister responsible for running the Prime Minister's Office, has been widely regarded as the No. 2. in the government. However, the situation became less clear when in mid-October Parliament adopted an amendment that created the legal basis for setting up the Prime Minister's Cabinet Office. Antal Rogán, previously Fidesz's leader in Parliament, was appointed as the minister in charge of the Cabinet Office. The new ministry is now responsible for ensuring that government communication is unified and coherent.

In other words, Rogán is communicating the prime minister's decisions, and his office may request information from cabinet members or other public bodies about the implementation of policies. Antal Rogán is also responsible for coordinating the responsibilities concerning the prime minister's personal activities and engagements. The other cabinet office, which also works directly under the prime minister and is led by János Lázár, will be left mainly with executive functions.

The creation of the new ministry marks an addition to the already impressive powers of the prime minister within the government structure, as two of the ten cabinet portfolios are now devoted to working directly under him and to support his work, as well as to perform the political planning and coordination of the government's work. The two portfolios, the Prime Minister's Office and the Prime

Minister's Cabinet Office, which are of strategic importance to the government's activities, are led by two ambitious young politicians within the governing party who are both considered potential successors of Viktor Orbán.

On the one hand, placing Rogán and Lázár at the top of ministries responsible for overseeing and coordinating the entire cabinet's work is an expression of personal trust. At the same time, this kind of balancing between politicians in top positions of power is also suitable for ensuring a rivalry between the two young leaders, so that neither can potentially emerge as the sole potential challenger to the prime minister.

This is Orbán's party

It is crucial to point out, however, that no rivalry or internal conflict results in any criticism of the PM himself. Orbán has led his party (sometimes informally) for two and a half decades, and within the foreseeable future his position is unshakeable. There are two main implications. For one, Orbán's outsize importance will continue to veil any internal divisions, even many substantial ones. This pre-empts many healthy debates that might improve the policies (or the sub-Orbán leadership) of the governing party, but it projects the stability and unity of purpose that Fidesz has fared well with electorally. Second, conflicts within Fidesz have to swell to a massive size to matter, otherwise Orbán will either sit them out or make minor adjustments. By this standard, the current rifts within the governing party are not yet relevant. Still, for Lázár and Rogán there is a learning curve ahead if they want to take over from Orbán one day.

1.5 | Outlook on the Hungarian government's prospects in 2016

Probably not many would have thought in the first months of this year that 2015 would turn into a successful year for Viktor Orbán's government. Until the refugee crisis began to escalate, Fidesz seemed to be in serious trouble. This was apparent not only in the governing party's decline in the polls, but also manifested itself in two lost by-elections. Since the beginning of the government's anti-immigration campaign, the decline of Fidesz has stopped, and the government seems convinced that if they prove strong enough, this issue can help them win the next elections in 2018. It can now be safely stated that the immigration issue has been helpful for Orbán first in stabilizing, and then increasing support for his party. Orbán's hardline speeches and remarks both in Hungary and at the international level suggest that the prime minister is not planning to give up his tough position on immigration anytime soon. Instead, he is rather trying to find as many allies as possible. In this sense, he is successful in the Central European region, but his impact – at least in terms of shaking up the public debate – can also be felt beyond the region.

Going against the European elites – including fellow EPP politician, Chancellor Angela Merkel – on the European scene, the Hungarian PM thinks that the ongoing crisis is not only useful for him in terms of his domestic political agenda but also for reframing his negative image outside Hungary. Outside Hungary, Orbán's image is still that of an authoritarian populist. But he seems convinced that this refugee crisis gives him a chance to appear as a defender of Christianity and the defender of Europe, representing the "real will" of the European people. It is not yet clear whether he can reframe his image outside Hungary, but as long as he is able to win or at least keep his party's existing votes by being tough, he is expected

to continue this strategy, regardless of his international reputation. As anti-immigration attitudes are strong in Hungary, the left-wing and liberal opposition is in a difficult political situation, since the majority of the population – including some of their own voters – are not on their side on this issue. This is just another reason why Fidesz will be very likely to do whatever it takes to keep the immigration issue on the agenda in 2016 as well.

The fence built on the Serbian-Hungarian and the Croatian-Hungarian border has rerouted refugee flows, and the new route no longer goes through Hungary. However, it is in the interests of the government to maintain the "war atmosphere" even once the problem has been resolved in Hungary. This is why the government is likely to look for other "enemies" in the context of the migrant issue, primarily identifying Western liberals and the European Union as the culprits in this crisis. To this end, the government media has already begun to scapegoat businessman George Soros for the crisis, but in general, in the government's communication any organisation or person who endorses the idea that refugees should be allowed inside the Schengen Area are likely to be labelled as enemies of the country.

Finding enemies to consolidate its voting base has been for many years now a constant feature in the communication of Fidesz. As long as the opposition is divided between centre-left and far-right, and the left is fractured to an unprecedented degree, all Fidesz needs to do is to hold on to its current voters. Maintaining a sense of "emergency" and always identifying some public enemies could do this job for Fidesz.

The refugee crisis was undoubtedly the No. 1. issue in Hungary in 2015. This helped Fidesz to cover the stories that have the most potential to harm the governing party in the long run: corruption and the luxurious lifestyles of leading Fidesz politicians. Stories about the quick enrichment of businessmen close to Orbán – such as Lőrincz Mészáros, the mayor of Felcsút, the village where Orbán was born, István Garancsi, entrepreneur and close friend of Orbán, and István Tiborcz, Orbán's son-in-law – still come to the surface relatively often. Media also frequently report about the luxurious lifestyles of young Fidesz politicians – mostly Antal Rogán, János

Lázár and Péter Szijjártó – and Orbán's mysterious political adviser, Árpád Habony. Amidst the refugee crisis, these stories have not received the same attention, and consequently, they did not have the same damaging effect on the popularity of Fidesz as before. However, the real threat for Fidesz is still if it is seen as corrupt and arrogant by the public. Besides increasing poverty and inequality, this is the point that the opposition will be likely to emphasize about Fidesz in 2016.

2

The Hungarian opposition in 2015 – fragmentation and stagnation



2.1 | The Hungarian Left is still paralysed

Almost two years have gone by since the Hungarian left suffered another major defeat at the polls in spring 2014, allowing Fidesz to take another two-thirds majority. Despite some successes in the intervening period – including two by-election victories that ultimately deprived Fidesz of its constitutional majority – the left’s position at the end of 2015 is unchanged in most relevant respects. In other words, its level of public support is still low, it is still divided, in fact even more so than ever before, between political parties that are often hostile to one another. Moreover, they still have little impact on the relevant debates in Hungary. Let us move backward and analyse the last problem first, as more than anything else, this particular issue might underlie the fundamental challenge, namely the left’s inability to reclaim its position as the alternate party or party alliance of power.

There are many real and presumed causes of the left’s inability to break out of its low standing in the polls, but probably none are more critical than its enduring failure to shape the public agenda. This is of course both a cause and an effect of the ultimate problem, the low level of social support for the left which appears to persist regardless of how the outsize governing party fares in the polls. Conversely, the dominant status of Fidesz may be most apparent in the fact that even when its public standing reached rarely experienced lows, it never lost its ability to set the Hungarian public agenda.

Fidesz has sometimes spectacularly miscalculated how individual issues it raises will impact the public, but there has never been any doubt that, among the political parties in Hungary, its power to influence what issues will be discussed in public is unrivalled. This influence goes beyond the fact that it alone controls what

the government actually does. Opposition parties – and especially successful opposition parties – often manage to put issues on the public agenda, primarily by highlighting the failures of government policy. This is not the case in Hungary, at least not for the left-wing opposition.

A newfound focus

So why is the left so unable to shape public discourse? For a long time, the left-wing parties’ attention was flighty, latching on to whatever issue came up in the news. The only persistent focus was a (justified) concern about the damage Fidesz is doing to the democratic process, but it emerged quickly that most of the public is indifferent to this issue.

Yet at least since 2014, the fragmented left has increasingly begun to focus on the interdependent triage of growing poverty, inequality and lacking opportunities. Now the issue has clearly become a priority in the communication of nearly the entire far-flung spectrum of the parties considered to be part of the ill-defined Hungarian left. This is probably wise since voters care more about this issue than about fair electoral rules or judicial independence. This explains why the Socialist Party (MSZP) started a campaign focusing on the issue of more competitive wages. MSZP has argued that if Hungary wants a competitive economy and society, it is essential that the government increase wages, and they should begin with the public sector. Another visible campaign on the left was launched by the left-wing green party Dialogue for Hungary (PM), the first party in Hungary that officially threw itself behind the idea of basic income.

One should point out that the problems currently emphasised by the left are indeed real; that they are very difficult to solve and take long-term strategic policies; and that while there are no easy answers, we have very little reason to assume that the left's proposals would have no bearing on these issues. Progressive taxation, wage hikes for the poor, more education and more welfare may not be original ideas, but they would very likely reduce inequality and reverse the trend of growing poverty. Nevertheless, the left's answers are not catching on.

Unfavourable conditions

The coherency of left-wing communication on these issues is of course undermined by the very ostensible diversity of spokespersons, who may have embraced a similar focus now but nevertheless follow their own distinct communication strategies. This continuously highlights the fragmentation of the left and tends to obscure whatever cross-party coherency exists. While there has been a marked improvement in left-wing communication in that the parties are no longer as preoccupied with bashing one another as previously, by the very nature of the arrangement even slight nuances of differences in a diverse multi-party field will add up to a cacophony. Voters might well perceive that the "left" has no coherent answers to these issues, even if despite all genuine differences there are also several points of consensus – and this in fact also extends to views of the green party LMP, which is ever more categorical in rejecting the left-wing label.

In seeking explanations for the problem outlined at the beginning, the issue of the left's lacking media access is also key. In a properly functioning democratic setting the absence of a party-aligned media would of course not be relevant. When party political preferences have little to no bearing on the selection of issues discussed in the media or how they are covered, then it is enough for the opposition to choose issues wisely and improve the effectiveness of its communication to shape the public agenda. However, in a country

where the list of relevant critical media is very short, the opposition obviously has a hard time making itself heard, much less shape the public agenda. As far as this particular problem is concerned, the chance that there will be positive changes for the left in the near future are virtually nil. It would take massive financial investments to create either critical or at least left-wing media. At this point the financial prospects of such investments are dim, which rules out profit-oriented business investors, while the left has apparently already maximally exploited its thin reserves.

Redistributing the same voters

Much of the ongoing problems of the left stem from the fact that it is still very fragmented. Apart from the electoral issue – Hungarian elections are won in single-member constituencies where the strongest party prevails – this is also a problem because thus far the left and liberal parties have not managed to expand their total potential base by winning over new segments of the electorate. For the most part they continue to "redistribute" the same voters among themselves. In surveying the state of the left, we must therefore also consider what is going on between the parties of the left.

There has certainly not been any indication of a major realignment. The Socialist Party (MSZP) is still clearly the biggest political force on the left, but its support has not improved in 2015. This means that MSZP has not managed to take back the second position from Jobbik since the 2014 EP elections, and is now the third party in Hungary. The key battle on the left is still raging between MSZP and former prime minister Ferenc Gyurcsány's DK (Democratic Coalition). MSZP has been mostly static and the new chairman József Tóbiás has taken a rather laid back approach to re-establishing his party as Fidesz's main challenger. Gyurcsány's activism has declined only slightly, and DK's figures have now steadily established the party above the 5 percent parliamentary threshold. Yet despite its better position, DK has not been able to

crack MSZP's remaining core base sufficiently to suggest that it will replace the Socialists as the main force on the left in the near future.

Since they went their separate ways, the two smaller parties Együtt (Together) and PM (Dialogue for Hungary) have both failed to gain in the polls, despite a fair amount of public activity. Former prime minister Gordon Bajnai's withdrawal from politics has not only removed the main basis for the cooperation of these two parties – PM is green and hews to the far left on economics, while Együtt is more liberal in the traditional European sense – but has taken away their chance at polling figures approaching the critical five percent mark. Both or either could gain some support over the years, but the odds of them consolidating into a major party or even dwindling away are greater at this point.

It has been said before that none of the left-wing parties has managed to expand the left's base, and instead they focus on drawing each other's support. The potential exception may be LMP, which insists that it is not part of the left, however. Though theoretically many find the idea of a non-extremist party that transcends the Hungarian left-right divide appealing, LMP has still not managed to make significant headway.

Few positive developments for the left

Though most of the news for the left are depressing, there are some positive developments in that the constant infighting between the left-wing parties has abated, and now they focus most of their energies on attacking Fidesz and Jobbik. Though it is unlikely that this will persist in situations when the stakes are high, if they did in fact manage to focus their campaign rhetoric outward, then that could lay the groundwork for strategic cooperation in the future that does not smack of insincerity as the previous electoral alliances had. And even though thus far the polls do not indicate this, it might also make it possible to expand the left-wing base rather than just reapportioning the current left-wing voters. Strategic cooperation worked well at the Veszprém by-election in February, when Fidesz lost its parliamentary supermajority. Independent candidate Zoltán Kész ran with strong backing from the major left-wing and liberal parties and defeated Fidesz's Lajos Némédi by 42% to 33%.

The only other good news for the left is the emergence of investigative journalism as a more potent force than previously. Though this has served the interests of the entire opposition in terms of weakening the attachment of Fidesz's voters to their party, there is some doubt as to whether the left will be able to realign former Fidesz voters to support progressives in the future. Often it seems as though the revelations of Hungary's investigative journalism are just setting the ground for Jobbik.



2.2 | Jobbik's charm offensive and the limits of its strategy shift

It has been over two years now since the launch of Jobbik's new communication strategy, which formally moves the party away from radicalism and seeks to portray it as part of the mainstream ideological framework it once eschewed. The insight that undergirds this strategy shift is that insofar as the party is unacceptable – or in fact downright repulsive – to the majority of society, it will not be able to exploit the opportunities stemming from the growing number of undecided voters in Hungary, or the fact that left-wing politics is incapable of attracting the support of these voters. For as long as this state of affairs persists, Jobbik will not be able to get their support, either. A rhetoric was needed that would help Jobbik rid itself of the stigma of broad social unacceptability. Hence the need for an image campaign.

The de-demonization strategy can also be perceived as a step towards improving Jobbik's ability to govern. To take over the reins of government (which is obviously Jobbik's goal), it is not enough to appeal to the presence of a potential protest mood in the electorate. A more moderate style of communication is also necessary because Jobbik's extreme communication was not conducive to win the confidence of large segments of the public, and thereby cast doubts on the far-right party's ability to lead. Thus the strategic change was likely also motivated by the belief that leaving the tough and radical tone behind could potentially give a major boost to the public's confidence in Jobbik's ability to govern.

Breakthrough in Tapolca

The new tack was adopted a few months before the 2014 national election. Jobbik did very well in April 2014, but was far behind its leaders' excessively ambitious expectations. With only 14% – half the left's total tally – the low turnout EP election in May 2014 was a major blow to Jobbik, its first serious defeat since its seemingly inexorable rise starting in 2006. The municipal elections in October 2014 once again brought solid support for Jobbik, but still failed to establish it as the main challenger to Fidesz.

The most striking improvement last year were Jobbik's strong results in the rural areas of western Hungary, where it was previously marginalised. Now it has emerged as the second most popular party behind Fidesz. This is a key development, since the more prosperous, ethnically less divided and politically more moderate West seemed considerably less hospitable ground for a radical party whose success owes in large part to exploiting and stirring ethnic resentments.

Jobbik persevered in its course of moderation, however, and in 2015 it seemed to be reaping the dividends. While once it was widely assumed that a far-right party's potential rise would be inherently limited, those assumptions were going out the window with Jobbik at record heights in the polls for most of the year. This also led to the far-right party's first ever win in a single member district in Tapolca. The moderate tone adopted by Jobbik certainly plays a huge role in this development.

Already before its recent rise, Jobbik's success had been the break-up of the seemingly stable bipolar party system. Between

2010-2014, the far right party had managed to get the support of roughly 40% of the voters who turned away from the governing parties, thus preventing the left from reasserting its status as the sole challenger of Fidesz. Since 2014, Jobbik has actually increased its success with voters who seek realignment.

A new, softer version of radicalism

It is important to emphasise that the strategy shift pertained only to communication; Jobbik stressed that its programme had not changed. Jobbik politicians openly noted that though their communication had softened, the essence had remained as radical as previously. The main shift in Jobbik's attitude came from its willingness to censor openly racist statements and also toning down some of the pervasive barely coded racist rhetoric its leaders were until recently prone to engage in. Previously, Jobbik politicians frequently made pointed remarks that were readily intelligible to the audiences as attacks on minorities, or they attended or even co-hosted gatherings where non-party figures (e.g. intellectuals, civil organisations leaders, musicians) would openly incite to racial hatred, even the killing of minorities. At least for the time being, these are on hold. So is Jobbik's standard mantra in response to external criticisms in such situations, namely that though it may not share the underlying sentiment, it is also opposed to the culture of distancing the party from such expressions.

It is particularly in the latter area that changes are most obvious, for Jobbik is now mostly willing to take swift action to make clear that it does not stand behind egregiously offensive comments. A municipal candidate who had called for killing Roma on Facebook was compelled to move in for a few days with a party member who is ethnically Roma. Later, an e-mail surfaced from a Jobbik MP who referred to the Holocaust as a hoax, somewhat paradoxically calling on fellow party members to "finish what our forefathers" had began, while bragging about having spat at a Holocaust memorial. Gábor Vona sternly condemned his MP to

bring flowers to the memorial, which the visibly unhappy politician complied with.

In an interview with conservative daily Magyar Nemzet, Gábor Vona also said that these incidents definitely do reflect Jobbik's views – which might come as a surprise to many within the party – and went further than ever in terms of the new moderate rhetoric, arguing that Jobbik was pursuing a "popular party [i.e. moderate conservative] strategy, and both Fidesz and MSZP have a vested interest in pushing us back into the extremist corner". Surprisingly, Vona also wishes to improve the party's western ties and has no immediate desire to leave the EU, stating flat-out that the party is not anti-European but wants a more democratic European Union.

The question is how genuine this new course is. Doubts arise on several grounds, most importantly the mutual support between the party and kuruc.info, a fervently racist and Nazi-sympathising news portal. From a pragmatic standpoint, it is not in Jobbik's interest to completely alleviate doubts as to lingering racism in the party. Arguably, if it did so convincingly then the spectre of a far-right challenger would be much more likely to become reality.

Instead, Jobbik's goal is to avoid scandals that can tar its image of being a responsible party that can be entrusted with leadership. Survey data have clearly shown that racial prejudice is pervasive in Hungary, and over the past years public discourse has shifted decidedly – led, incidentally, by Fidesz-aligned news outlets such as Demokrata, Echo TV and Magyar Hírlap – and has significantly expanded prevailing notions of how far racist public expressions can go.

Electorally speaking, Jobbik has no need of the dwindling minority who would not vote for a party that is anti-Roma or anti-Semitic. What it needs is to become scandal-free, to seem respectable and wait for a time when Fidesz is bouncing from scandal to scandal and oozing support, while the left is unable to offer a convincing alternative. The loose tongue image that served Jobbik well in

establishing rapport with its core far-right electorate is now a liability when it seeks to approach voters for whom racial issues are simply not a priority.

There is also a relatively new, peculiar element to Jobbik's repositioning efforts. In public pronouncements, the party has increasingly cast itself as a party of the 21st century, along with the green party LMP. In so doing, it contrasted these two parties with right-wing Fidesz and socialist MSZP, which Jobbik calls the forces of the 20th century. By using this categorisation, Jobbik essentially sidelines the entire Hungarian political elite of the past 20-25 years. On one hand, this is just another expression of the anti-establishment distinction that Jobbik had put forth before it entered Parliament, as well as during its early years in the legislature – though in light of participating in parliamentary work over the past five years, this critique would hardly be credible in its original version. On the other hand, its new self-understanding makes it possible to ensure that the party's image remains credible despite the fact that its programme and communication are an ideological amalgamation of far-right, moderate conservative and left-wing socialist elements.

Those pesky skeletons and other challenges

One of the troubles with this new communication strategy is that given the existing base of activists, embarrassing statements (both yet undiscovered old and new) are bound to crop up occasionally. This is not a lethal problem, but constant pressure to redress such controversial comments can damage Jobbik's efforts to appear

"consolidated" or its credibility with the far-right, or even both. Thus far the substantial extremist segment of the party has been remarkably calm about the changes, at least in public, though there are rumours about internal debates.

On the other side is the standard risk for Jobbik, namely that Fidesz itself competes even more intensely for far-right voters. This is exactly what happened during the refugee crisis. Jobbik has been mostly a follower and not the trend-setter in the migration debate. The government's anti-immigration campaign worked with very tough messages, making it very hard for Jobbik to find its own voice on the issue. Jobbik also faced a strategic dilemma: in the last two years the far-right party tried its best to get rid of the extremist image. In 2015, Jobbik found itself in a situation when it could not simply outmanoeuvre Fidesz from the right, and its image campaign became an obstacle in its efforts to appear tougher on immigration than Viktor Orbán's government. While the refugee crisis has contributed to the rise of Fidesz in the polls, Jobbik has lost support over the issue. However, Jobbik's long-term strategy might be to show that it is the go-to party for centrist and pragmatic voters who are fed up with the government. Politics is far too volatile a game to guarantee any long-term success, but at the moment Jobbik appears to be the best-positioned of all opposition parties to benefit if the Fidesz government makes mistakes and/or seems even more corrupt in the future.



2.3 | Outlook on the Hungarian opposition in 2016

After three elections in six months, by the end of 2014 the left-wing and liberal opposition was worn out by having to continuously address the electoral coordination vs. going it alone dilemma. In 2015, the parties of the Hungarian left felt relieved not to have to work with one another. This was the year of independent party-building, which theoretically should have provided these political forces with a great chance to highlight the ideological differences between them, as well as to reach out to voters who were unsatisfied with the performance of the opposition in the previous years. Leftist and liberal opposition leaders should admit that 2015 has not brought any improvement in the standings of their parties, and there is not much time left until discussions will begin about how the left should run in the next general election in 2018. 2016 will be the last chance for individual parties to improve their positions before long debates on electoral coordination are expected to begin. Unless one of the left-wing or liberal parties will grow significantly, cooperation in a way or another will be a must in 2018 as well. A divided opposition is in Fidesz's best interest, given the realities of the Hungarian electoral system, which favours big parties or electoral blocs.

For the time being, it seems unlikely that any of the leftist and liberal parties will succeed in uniting the vast majority of those voters who are unhappy with the Fidesz government but would not vote for Jobbik either. Therefore, it can be expected that the debate about the potential introduction of a primary election system for the left-wing and liberal parties will intensify. The Socialist Party (MSZP) showed openness towards a primary system at their party

conference in November 2015, but it remains to be seen whether it ever becomes reality. If these parties decide that a primary should be used to select their candidates for the 2018 election, then a coherent and mutually agreed upon method should be worked out and adopted a year before.

Of course, no primary can work and stimulate opposition voters unless it fields good candidates. Finding credible and popular prime ministerial candidates now seems to be an even more difficult task than coming to an agreement about the rules of the primaries. What is certain is that any potential progressive candidate should offer a real alternative to the politics and policies of Viktor Orbán's Fidesz. New voters will not join the left just because some of their leading politicians also support the flat tax or the construction of a border fence.

In terms of electoral strategy, it is also vital for the left to reach out and to begin reclaiming their former strongholds in eastern Hungary. The history of Hungarian elections proves that the left – more precisely the Socialist Party (MSZP) – could only win elections if they were strong in the eastern – and poorer – part of the country. In order to win back its former strongholds, it is essential to bring back voters who are now either non-voters or even vote Jobbik. This is certainly not an easy task and will not go quickly, but if the left wants to stand a real chance to win power in 2018, it should take this challenge very seriously and concentrate a lot of its resources on winning back its former strongholds.

For Jobbik, the strategic challenge is not only to keep its current strongholds in the eastern part of the country, but also to address the socio-demographic and geographical imbalances in its voting base. Despite the fact that Jobbik has been able to bring in new voters, the Hungarian far-right still faces the same problems in terms of its voter base as five years ago. If it is serious about winning elections, then Jobbik has to strengthen its support in the older age groups, among women, and simultaneously in the least and most educated segments of society. Although Jobbik has gained some strength in the western part of country, there is still a lot to do for the Hungarian far-right in terms of the geographical distribution of their voters as well. However, the major obstacle to the further rise of Jobbik seems to be Fidesz's strategy to take away the issues of Jobbik, as it was apparent during the refugee crisis in 2015.

Despite its difficulties to handle a Fidesz that is getting more radical, it is very likely that Jobbik will stick to the more moderate tone to reach out to wider segments of Hungarian society, and to become more attractive to undecided voters, especially disillusioned Fidesz voters. These were the objectives that motivated Jobbik when it abandoned its aggressive and racist image. It is now evident that the de-demonization campaign was not a one-off communication stunt but has turned into the core of Jobbik's politics.

3

Hungary's foreign relations in 2015

3.1 | Orbán's foreign policy: it's only business

Two top visits kicked off the year

Vladimir Putin had not visited Hungary in almost a decade, he was last here in 2006. Angela Merkel's most "recent" visit also predated Viktor Orbán's return to office in 2010; she came here in 2009. In February 2015, Europe's two most powerful leaders descended upon the Hungarian capital in the span of barely two weeks, making Budapest briefly seem like a hub of European diplomacy. What might have been portrayed as a major diplomatic coup in more peaceful times was an expression of the precarious state of Hungary's global standing. Despite Fidesz's intense courting of Putin over the past few years and its charm offensive aimed at German conservatives in the last months of 2014, neither the Russian president nor the German chancellor came as earnest friends thanking Orbán for his friendship and loyalty.

Instead, Putin's visit was widely interpreted as a peculiarly Kremlin version of "Yes, we can" – that is if he wishes, Putin can visit an EU capital at a time when the EU goes to great lengths to isolate his regime within Europe over the Ukraine crisis. At the same time, Merkel's visit was seen as a manifestation of a counterbalancing effort trying to make sure that Hungary stays largely within the boundaries of common EU foreign policy. However, it is also true that the German Chancellor's visit was expected to take place sooner or later as she did not come to Hungary in the 2014 election year to commemorate the 25 years of the fall of the iron curtain.

Balancing between East and West

The two visits proved clearly that Orbán's tenuous balancing act between East and West is still working, he has not irreversibly alienated either partner. Moreover, the Hungarian government appears to have achieved two major energy policy objectives with the Russians: the extension of Hungary's gas supply from Russia and the affirmation of the Paks expansion deal.

Energy security has of course always been one of the key underpinnings of Russo-Hungarian relations and a major component in Fidesz's efforts at justifying its turn towards Russia. Merkel was less understanding about Orbán's repeated emphasis on Hungary's dependence on Russian gas imports. While she recognised that Hungarian exposure is indeed substantial, she said Germany, too, depended to a substantial extent on Russian gas, with the implication that this cannot completely override a principled stance on the Ukraine conflict. She also noted that there are alternatives to Russian gas.

Putin's visit probably owed more to foreign policy calculations than to business. The Russian president has been under intense pressure from the western sanctions regime and needs to poke holes into the anti-Russian front, which was not very solid to begin with. In light of Orbán's "business first, second and third" approach to foreign policy, this might have cost the Russian president something, so it is fortunate that paying for influence is not at all an alien concept to the Kremlin. It is unclear if the whole price of the transaction was made public, but the Hungarian government proudly proclaimed that it had secured more flexible

trading conditions for Russian gas. Arguably a bargain, unless one takes into account the hostile reactions Hungary was facing after the Putin visit among its traditional western partners.

Prime Minister Orbán must have sensed that as well, for immediately after Putin left he departed for Warsaw, hoping to mollify a government he had repeatedly called Hungary's greatest friend. He got a chill reception from his Polish counterpart, Ewa Kopacz of the liberal-conservative Civic Platform, and not even that much from his traditional friends in the staunchly nationalist-conservative Law and Justice Party, which was previously known in Hungary for asking thousands of its supporters to participate in pro-government/Fidesz rallies in Budapest. Few in Poland take well to Orbán's friendliness towards Putin, and few take to it quite as badly as PiS chairman Jaroslaw Kaczynski, whose brother perished under what many Poles consider suspicious circumstances in Russia. Orbán's disastrous mission to Poland was symbolic of the hostility his government's "business only" interpretation of realpolitik has engendered in some quarters.

To be fair, however, despite Polish frustration, Hungary's isolation over Russia is less pronounced in Europe than it was in 2014. Orbán's lone position as Putin's ally in the EU seems no longer as lonely, with his Czech and Slovakian counterparts also intensely criticising the sanctions regime, and the Greek governing party Syriza also arguing for a softer line towards Moscow.

Turning towards the South

Though Hungary's relationship with Russia is still much better than that of most EU countries, in 2015 the Orbán government toned down its enthusiasm towards the rising eastern economies. The Orbán government's "Eastern Opening", while officially an economic policy, has from the beginning been heavily imbued with the implication of political and social transformation that moves Hungary away from western liberalism and individualism toward eastern authoritarianism and collectivism. However, the government quit making public references to the Eastern Opening following the escalation of conflict with western allies such as the United States and Germany in the fall of 2014. In March 2015, Prime Minister Viktor Orbán even said that "with regard to the Eastern Opening, I can tell you that it has taken place. I can say that it is a fact that it has been completed".

In 2015, "Opening to the South" became the new "Eastern Opening" in government communication. Foreign Minister Péter Szijjártó said that the new strategy was needed to open a new chapter in Hungary's trade-based diplomacy. The geographical focus has changed, but the ultimate goal has not. The main indicator of success for Hungary's pragmatic foreign policy is achieving results in foreign trade. Therefore the new strategy focuses on two rapidly developing regions where Hungary's trade relations are generally weak: Latin America and the Caribbean on the one hand, and Africa on the other. Within the framework of "Opening to the South", Szijjártó announced that Hungary would open four new embassies in the next four years, in Angola, Ecuador, Ethiopia and Ghana, as well as six Hungarian trading centres (in Angola, Chile, Ecuador, Ethiopia, Kenya and Peru).



3.2 | Hungary and the US: new ambassador, same tensions

Before the arrival of Colleen Bell as US ambassador to Hungary, US-Hungarian relations were fraught with tension, to say the least. Last fall André Goodfriend, the embassy's chargé d'affaires in the long period before the Senate confirmed the successor of former ambassador Eleni Kounalakis, declared that the State Department had decided to bar several officials from entering the US due to their suspected involvement in corruption affairs. The decision caused a major scandal in Hungarian politics that reverberated in the media for months. The official act was accompanied by several stern warnings concerning Hungary's crackdown on critical NGOs – criticised by current President Obama and former President Clinton – and other problems in the way democracy works in Hungary under Fidesz. The American criticisms led to intense hostility towards Goodfriend personally and the US generally. Much of the right-wing media also homed in on the US as an evil foreign power trying to dominate Hungary, though this was not a departure from the usual US-related coverage, except now the issue took more of a centre stage.

Unsurprisingly, the departure of Goodfriend was welcomed with glee in pro-government media, while the arrival of the new ambassador, Colleen Bell, was greeted with optimism. This optimism was usually cautious but occasionally became effervescent, indicative of the right-wing press's desire to vacillate between extremes. Far-right pro-Fidesz columnist István Lovas, for example, envisioned a "180 degree turn" in US policy towards Hungary, noting enthusiastically that Goodfriend's recall was a "slap in the face" of the left in Hungary. A recurring theme in right-wing reporting was an emphasis on Bell's motherhood, with the implicit suggestion that this made

her less belligerent or more of a dupe, since, as Prime Minister Orbán has explained since, the feminine disposition cannot keep up with the cut-throat world of Hungarian politics.

A gentle woman

And, for the most part, Bell's activities in her first months as ambassador meshed with this idyllic image, even though neither the ambassador nor anyone else in the State Department ever suggested that any turn in policy had in fact occurred. While the narrative of the Americans abandoning their confrontational approach (or their confrontational diplomat, Goodfriend) was one potential explanation for the quiet of Bell's early months, it was nowhere near the only possible explanation, especially in the absence of other signs. Clearly, Bell, a TV producer and campaign donor without actual diplomatic experience, had to learn the ropes both about her new profession in general and Hungary in particular.

Though most of the early reporting about Bell centred on tabloid like photo ops, there were of course other signals that indicated a commitment to the general course of American foreign policy. During Russian President Vladimir Putin's visit, for example, she demonstratively lunched with the Ukrainian ambassador to Budapest, expressing an implicit unease with the cosiness that prevailed between Orbán and Putin. Nevertheless, Bell tread very cautiously for months, and thus when she finally did attack the Hungarian government in a late October speech with a comprehensive shopping list of complaints about the Hungarian

government, it came as a major surprise to everyone. Though none of these were new, they clearly stung: Fidesz and its supporters in the media had expected “more” – which is to say less – from Bell.

A catalogue of ills

It is notable that Bell did not say anything new. She ran through the standard issues starting with corruption, checks and balances, NGOs, free media, electoral rules, refugees and xenophobia. What may have been unusual was that all these issues were crammed into a single speech. Moreover, the topic of her speech was a review of US-Hungarian relations, after all, and one must also point out that her critique went hand in hand with plenty of positive words about Hungary, though in retrospect it was clear that those provided only some packaging to couch the unusually harsh tone of Bell's criticism. Yet, as the ambassador noted, “these concerns should not come as a surprise to anyone, because they have been expressed many times”. The key sentence in Bell's speech may have been the line – rendered far more emphatic in the official Hungarian translation, with caps lock and a generous use of periods to separate each word – that American “policy has not changed”.

Nor did the Hungarians' reaction. The pro-government media either wholly ignored the event or lashed out intensely at Bell, easily reverting back into its classic mode of anti-Americanism. Public television delivered the most notable example of the former type of “response”, for it failed to report in any form about Bell's speech until Foreign Minister Péter Szijjártó issued his own reaction, and of course even then the reporting remained predictably one-sided. Szijjártó cast Bell's words as part of an American “imperial” policy trying to subjugate Hungary, which is a fairly standard response to any outside criticism.

Questions about timing

Much of the public debate about the new ambassador's speech focused on the timing. Since no previous event seemed to explain why the US decided to wag her fingers right in October, the assumption was that the timing was unrelated to the issues raised in the speech. There was widespread agreement that one factor was opportunity. The refugee crisis had subsided. The latter issue had been so crushing until now that, had Bell given the same speech earlier, when thousands of refugees were arriving each day to Hungary, the media echo might have been fairly low key across the board.

Some commentators also pointed to the Polish election and suggested that Bell's harsh words may also have been intended as a warning to the incoming PiS government in Poland that the US is wary of Orbánism spreading further in the region. Given the PiS's similar ambitions during their short stint in government between 2005–2007, that's not a far-fetched idea.

All these may have been part of the mix as conditions rendering the timing of the speech opportune, but a key point was also that Bell had been listening for months now and was ready to speak. At this point, it would be difficult to claim that she has no idea about Hungary, which would surely have been the (justified) response to such a speech in March or April. Nor can anyone say that she has a strong bias against the Orbán government – the previous friendly right-wing media reactions to her arrival also show that this was not a widespread suspicion. The US, for her part, has not moved on, she merely took a few months leave from her standard complaints, waiting for an opportune moment to resume the criticisms where they had left off when Goodfriend departed.

In the last weeks of 2015, the issue of anti-Semitism was also added to this list. Plans to erect a statue to Bálint Hóman, a Horthy-era politician, in the city of Székesfehérvár, elicited sharp

protest both in Hungary and abroad. Hóman as a government minister spearheaded Hungary's anti-Jewish legislation and in 1944 called for the deportation of Hungarian Jews. Jewish organisations, US congressmen and diplomats – including high-level US officials – also voiced protest. Following the huge domestic and international criticism, the plans to erect the statue were abandoned.

What matters the most in the Hungary-US relations at the end of 2015 is that emphatically delivered line, “our policy has not changed”. On those issues raised by Bell, neither have Orbán's,

so if the US persists, the collision course is set. Bell's survey of American gripes was relevant, but what is more interesting right now is how American foreign policy seeks to follow up on these concerns. Are we reverting back to the occasional “wag the finger” policy, or was this the shot across the bow signalling a more serious effort at nudging the Orbán government towards a less “illiberal” course? In terms of Hungary's foreign (and internal) relations, this will be one of the decisive questions in the year to come.

3.3 | Hungary's place in Europe

As a result of Viktor Orbán's policies over the last year, primarily in the context of the refugee crisis, Hungary's foreign policy position in Europe has changed substantially. Intra-EU foreign relations are always more complex than general international relations, because the issues and debates involved are often more deeply enmeshed with domestic policies than tends to be the case in extra-EU relations. Refugee policy, the defining issue of 2015, is a pre-eminent case in point. It is for all the countries in the EU simultaneously an issue of external relations, as they need to find policy solutions in cooperation with foreign partners in the EU, as well as an intensely politicised domestic policy issue. Moreover, while it is possible to act on this issue unilaterally focusing only on domestic considerations, as Orbán did when building his fence and effectively sealing the Hungarian border, any such decision is going to have repercussions for both the EU as an entity as well as for individual member states.

In the following, we will analyse in turn Hungary's relations with four groups within the EU: the EU institutions themselves, meaning Commission and Parliament; the Visegrád States and the wider Central and Eastern European (CEE) region; Germany as Hungary's most important economic partner and the EU's leading power; and the rest of the EU. Each of these will be presented in a short discussion.

European institutions

Though it seemed that the Orbán government was off to a more peaceful start than usual with the European Commission this year, by the end of the year the standard tensions began to show.

In what may be the Commission's biggest blow against the Orbán government's policy course yet, in November it decided to launch an infringement procedure against the expansion of the Paks Nuclear Power Plant, which will be carried out by Rosatom – at least according to the current plans – with Russia guaranteeing a loan to Hungary to cover the massive costs, which are estimated to be as high as 10% of GDP. The Commission will investigate whether the decision to bar all vendors other than Rosatom from submitting a bid for the project is a violation of EU procurement rules. The Orbán government has been fanatical about the importance of the project, beginning with its extremely risky launching in January 2014, a few months before the national elections. Given the widespread rejection of nuclear power in Hungary and the still controversial assessment of Vladimir Putin's government, the move raised a lot of eyebrows even among Fidesz sympathisers.

The European Commission has the authority to at least significantly delay the investment project unless its requests for changes are substantially addressed by the government. In fact, if it takes the issue to court, then it might indirectly even block the entire project altogether. Moreover, even if the project will ultimately pass in its original form – which is difficult to imagine given that it really does appear to contravene EU rules –, if the Commission were to take the issue to court then that might considerably delay its implementation.

The Orbán government also clashed with the Commission in 2015 on the refugee issue and the death penalty. During their row, First Vice-President Frans Timmermans called on Orbán not to misrepresent the Commission's position on migration and



said the EU's top executive body would adopt sanctions if the Hungarian government pushed to reintroduce the death penalty. The European Parliament also condemned Orbán's statements on the death penalty and the government's heavily biased "national consultation" on migrants, which was meant to incite the public against refugees. The refugee issue kept cropping up again, and in September the EU commissioner for migration, Dimitris Avramopoulos, criticised Hungary's hardline approach noting that "[t]here is no wall you would not climb, no sea you would not cross if you are fleeing violence and terror". Moreover, in December, the European Commission launched an infringement procedure against the asylum laws of Orbán's government. The Commission argues that Hungary is not allowing full and proper appeal processes for asylum seekers (Hungary is forcing applicants to leave its territory before the time limit for lodging an appeal expires or before an appeal has been heard, the judicial review of decisions rejecting asylum applications does not guarantee personal hearings for applicants, and rights to translation and interpretation are not respected).

Yet despite the critical attitude that prevailed among EU officials and MEPs, as well as many EU governments, Orbán's positions, in particular the need for a border of fence and more restrictive border control policies, gained traction in significant portions of the EU. Though his call for "zero refugees" to be allowed in has not yet emerged as the majority position, on the whole the average view of EU member states is currently a lot closer to the Hungarian government's position than early in 2015.

Visegrád and CEE region

Orbán's improved standing was especially pronounced in the Visegrád states, where his position on sealing the Hungarian border was universally popular among the other governments. The joint stance of V4 countries was especially manifest in their rejection of the EU's quota scheme, which sought to distribute a fairly miniscule

number of refugees to countries of the region. All governments in question rejected the proposal, and though the Polish government was massively pressured to relent at the last minute, even its grudging yes was cashiered quickly by the new more right-wing government elected in the fall.

Orbán's improved relations with other governments in the V4 and beyond are a very visible change, and arguably the Hungarian premier has never enjoyed such strong standing in the region as he does now. This is an especially major shift since Orbán had previously clashed with leaders in all V4 countries. He was especially known for his verbal spats with Slovakia's premier Robert Fico, who despite his nominal left-wing affiliation also propagates an intensely nationalist rhetoric. Yet recently Fico and Orbán had already bonded over the fact that they were among Vladimir Putin's few mainstream allies in the EU, and their positions are also aligned on the refugee question, with Slovakia even dispatching policemen to help patrol the Hungarian border. While the help was mostly symbolic, it was all the more important in light of the deliberate contrast between the friendly welcome extended to Slovakian policemen and the arrival a little earlier of Croatian policemen, who came to Hungary accompanying refugees. The Croatian policy towards refugees at that time ran counter to the Hungarian position, which led to heated exchanges between the two countries' leaders. Despite Croatia being a fellow EU country, the Croatian policemen were portrayed in the Hungarian pro-government media as hostile elements that had to be disarmed by their Hungarian counterparts for security reasons.

Hungary's relations with the Czech Republic have also improved, though they had never been as strained in the first place. Nevertheless, years ago, when he was still prime minister, the current Czech president Milos Zeman – now every bit as radical on both Russia and the refugee issue as Orbán – had blasted Orbán for "inciting nationalist passions" and marked the Hungarian PM's fixation on historical issues as a sign of "political impotence".

Orbán had always felt that Hungary's friendship with Poland was the most important, and relations had been mutually excellent when PiS was previously in power (2005–2007) and Orbán was opposition leader in Budapest. The tone was less enthusiastic with the more mainstream PO government in Poland, but there were no tensions until the Polish side became intensely critical of what it perceived as Orbán's cosying up to Putin. The PO prime minister was visibly cool towards Orbán during his visit to Warsaw, but his friends in the PiS, who are even more anti-Russian, refused to even meet with him. Yet the refugee crisis has softened the Polish position, and while the former warmth has not yet returned to PiS-Fidesz relations, there are no visible tensions either.

In the wider region, the situation is a bit more complex, but this is also a reflection of the fact that while for the V4 Hungary was a welcome and fairly well-functioning buffer from the refugee crisis, for other countries, especially Serbia, Croatia, Austria and Slovenia, the Hungarian position created practical problems as it rerouted refugee streams towards their borders. In some countries (e.g. Croatia, Austria and Romania) the assessment of the Hungarian government and its anti-refugee policies divided the political elite along party lines. In Croatia it even became a campaign issue, with the right-wing opposition identifying with Fidesz in Hungary while the governing social democrats – whose actual policies began resembling the Hungarian policies – intensely criticised the Hungarian approach. In Austria a similar situation prevails, with the governing social democrats acting as one of Orbán's harshest critics, while the far-right FPÖ, which has since emerged as the strongest party in the polls, considers Orbán a model to follow. The conservatives, who are in a coalition with the social democrats, are caught in between but are noticeably friendlier towards Orbán. Yet despite the nuances, what is true for the V4 also holds for the entire CEE region: Orbán's refugee stance is very popular, and this has significantly improved the Hungarian PM's assessment across the region.

Germany

German-Hungarian relations in 2015 were like a rollercoaster ride. In response to tensions primarily over the Russia issue, the Orbán government had massively begun to court the German government towards the end of 2014, and the charm offensive persisted for months into 2015. We do not know whether this was a cause or an effect of the decision to finally realise Angela Merkel's long delayed visit to Hungary, but the government relentlessly emphasised that Germany was Hungary's most important partner (undoubtedly true) and positive features about Germany abounded in the pro-government media. The Hungarian government also gave well-publicised awards to several, mostly conservative, German politicians in recognition of their achievements in German-Hungarian relations.

Orbán cultivated especially strong ties with the Bavarian sister party (the Christian Social Union, CSU) of the main governing party in Germany, the Christian Democratic Union (CDU). While the Hungarian charm offensive was met with a reserved attitude by Merkel, the CSU enthusiastically reciprocated. Bavarian Prime Minister Horst Seehofer gave a joint interview with Orbán and lauded his Hungarian colleague at a time when the latter was still in the EU's doghouse. Seehofer's fellow CSU politician, MEP Manfred Weber, who serves as the European People Party's leader in the European Parliament, proved even more instrumental in ensuring that the EPP remain firmly behind Orbán despite even publicly voiced criticisms of Fidesz's policies on the part of several EPP member parties.

As the refugee crisis deepened, however, and Chancellor Merkel's position on the issue emerged as the antithesis within the EU of Orbán's strict rejection of refugees, relations went swiftly downhill. Orbán, Fidesz and the pro-Fidesz media intensely criticised the German chancellor and her policies, while Merkel mostly ignored the swipes from Hungary, which were occasionally vicious. The tone was especially rough in the pro-government

media. Orbán openly declared that through its willingness to accept refugees, Germany had severely exacerbated the crisis and opened the door to the uncontrollable flow of refugees in the first place.

In an interesting twist to this up and down, the cordial ties with the CDU's sister party and coalition partner CSU improved even further, moving from warm to an increasingly open love affair, with Seehofer lauding Orbán's handling of the refugee issue and inviting him to speak at a CSU meeting, while lambasting Merkel's policies in the same breath. Interestingly, even Seehofer rejected a proposal by a fellow party member to erect a border barrier in the style of the Hungarian fence, suggesting that it would not mesh with the local culture. Though this raised the question of why it is a better fit with Hungarian culture, Orbán did not take offence at the implied slight.

The refugee issue is still open-ended and Merkel has already made some key concessions to the CSU and the right in general. Orbán has clearly emerged as a hero on the populist right in Germany, and his policies are lauded not only in the CSU but on the growing far-right as well. At the same time, due to lacking German reactions to the Hungarian government's criticisms it is unclear how strained the relations with the German government have become. In the court of German public opinion, Orbán will go into 2016 with his reputation much improved, and on the whole this might help his standing with Merkel's government, too. It cannot be ruled out, however, that unrelated future conflicts will offer the German side opportunities to reciprocate in its more reserved style for the anti-Merkel incitement on the Hungarian right. Orbán willingly took this risk, probably under the assumption that Merkel is generally much more likely to be guided by reason than by emotions.

Other EU countries

Most of Hungary's limited interactions with the rest of the EU in 2015 dealt with the refugee issue in one form or another. A wide variety of governments, in addition to the Croatians and Austrians these included the Italian, the Swedish, the French and the Spanish, criticised the Hungarian approach, with the French foreign minister going as far as to point out that governments with such an attitude have no place in the EU. Nevertheless, these criticisms became notably muted as a growing number of EU countries began to quietly agree with the general notion that the inflow of migrants must be slowed drastically.

At the same time Orbán has still not found open allies outside the CEE region. Like last year, when the UK and Hungary were the most vocal critics of the election of Jean-Claude Juncker as the president of the European Commission, the British and the Hungarian position also seem close on the refugee issue. Just as then, Orbán and his media publicly cited the British government as allies on the issue at hand, but despite the similarities in their positions, there was little indication that British PM David Cameron shares Orbán's enthusiasm for entering into an alliance. On the refugee issue, Cameron only once gave a lukewarm endorsement to Orbán's policies, noting in response to a parliamentary question that "[a]s for Europe's external borders, they are not my responsibility, and I'll leave Viktor Orbán to defend himself. But just so [the questioner] knows the point that the Hungarian prime minister makes, and others make, is that Europe has an external border and needs to prove it has an external border in order to make sure people don't believe that it is a risk-free easy journey to make to go to the European Union." Some in the pro-government media in Hungary interpreted this as an expression of Cameron's support for Orbán's policies, which in fact it was. But it was also an indication of how isolated Orbán is in mainstream western European politics that despite their agreement on at least two crucial issues thus far, Cameron – who is otherwise not shy about taking controversial stances

within the EU – has refrained from trying to publicly cooperate with Orbán.

In all, Viktor Orbán's position within the EU is much stronger than a year ago, but it is still fragile, especially in the West, and he is still at the mercy of Vladimir Putin. In the unlikely case that the Russian

leader chooses to escalate conflicts with the West, Orbán will be caught in the middle, torn between the unenviable options of sacrificing his valuable ties with Russia or Hungary's more valuable ties with the West.



3.4 | Outlook on Hungary's place in the world in 2016

Viktor Orbán is going into the year 2016 in a considerably stronger position than he was in a year ago. Back then, his recently re-elected government was rocked by a series of scandals and bad decisions, which led to a steep drop in its popularity. Abroad, he was isolated and primarily known in Europe for being a friend of Vladimir Putin, turning Hungary towards the East and undermining democracy. He was isolated and without friends in Europe.

Syriza in Greece took some of the heat off Orbán, as Prime Minister Alexis Tsipras emerged as Europe's new enfant terrible (also replicating Orbán's cosiness with Putin). But it was the refugee crisis that got Orbán out of the doghouse and placed him centre-stage in the European debate. He is still probably anything but loved in the EU, but his relations with the Visegrád countries are as strong as ever, and he now enjoys a much elevated status in this group as the leader who was the first and fiercest advocate of the region's near general "no refugees welcome" position.

On average, western European leaders may be considerably less impressed by Orbán's performance, but they, too, are aware that the Hungarian prime minister is now widely respected among many right-wing voters as the staunchest defender of Europe's borders and the Christian Civilization, and also as a leader who offers an alternative European model. Under the current Obama administration, he remains very controversial in US government circles, and given that Obama will remain in office throughout 2016, this is unlikely to change next year. November 2016 might herald some changes if a Republican candidate wins, as Orbán has

been avidly courting GOP politicians, even paying significant public funds to a Republican lobbying firm to increase his stature there. Nevertheless, wariness of Russia is a bipartisan project in the US, and Orbán's close relations with Putin could easily drive a wedge between him and a potential Republican administration in the US. Thus the harshest criticism of Orbán by any politician thus far was also uttered by a US Republican, Senator John McCain, who called the Hungarian PM a "neo-fascist dictator". The intense criticism by the former presidential candidate highlights a key dilemma for the Hungarian head of government: as he believes that Putin has the best offer in energy policy, and therefore good relationship with Russia is a must, his international recognition still hinges on a factor he largely cannot control, namely Putin's policies.

Even without Putin acting up, Orbán has a few challenging issues to look forward to, primarily the European Commission's decision on the planned expansion of the Paks Nuclear Power Plant. Moreover, it is important to keep in mind that conflicts, and especially conflicts with foreign partners, are usually not by-products of Orbán's other political goals, but often the actually intended outcome, or at least intended collateral damage. The prime minister has found that the loyalty of his base is enhanced by picking on the right targets, which suggests that allowing a sustained period of consolidation to set in – which Fidesz had promised towards the end of its previous term in government – is not actually in the interest of the governing party, for that would allow a focus on domestic policy issues, with the potential result that the ceaseless string of corruption scandals could be front page news again.

4

Economy and society

4.1 | The Hungarian economy in 2015

With some caveats, the Hungarian economy did well in 2015. The ongoing positive trends in the economy round out a very good year overall for Viktor Orbán and his government. Complemented by other successes, such as the government's popular restrictive approach to refugees and, of course, Hungary's biggest football accomplishment in decades, qualifying for the Euro 2016 (which Orbán was quick to claim as his own achievement), these economic trends have contributed to a massive resurgence in Fidesz's previously battered popularity.

The economy, however, is the success that should not be, if the critics of Orbán's economic policies, both left-wing and conservative, are to be believed. It was widely anticipated that the Orbán government's punitive approach towards multinational corporations, its profligate spending in certain areas and its inability to significantly lower public debt, coupled with a daring monetary policy and an unwillingness to implement major reforms, would leave Hungary with little to no growth.

At least since 2013, that has not been the case. Though GDP growth has been lagging behind its election year peak in 2014, when it went as high as 3.6%, at 2.6% (the figure at the end of the third quarter of 2015), it is still robust by European standards. The 2015 growth rate is not as far ahead of the EU average as the standout 2014 value, and it is clearly below the average of the vigorously growing Central and Eastern European (CEE) region, but it is nevertheless a solid figure.

Other figures also point in this direction. At 6.5% since the beginning of the year, industrial production continues to grow

dynamically (it was 7.2% last year), and thanks to strong export figures the current account surplus is at its highest value since Orbán took over in 2010. Despite dire predictions about foreign investments, new FDI in Hungary will also be at its peak since 2010, and total FDI stock has finally climbed back to the pre-crisis levels.

At 0.1%, inflation is at a record low, even as the central bank keeps cutting interest rates. The one data that shows no sign of meaningful improvement is public debt, even though it was supposed to decline massively according to Orbán's 2010 "declaration of war on debt". Still, recent efforts at restructuring government debt by enticing the domestic public to buy government bonds have proven successful. With bank interest rates near zero, and with brokerage firms deeply distrusted after the series of scandals that shook the securities trade in the spring, government bonds with their 2-4% rates of interest seem like a good investment. In line with the government's objectives, the public's appetite for government debt is reducing Hungary's foreign debt exposure. Though debt reduction was modest at best, the general trends of the Hungarian economy have led international rating agencies to upgrade Hungary's credit status, and now both Moody's and Standard and Poor's consider Hungarian government bonds to be almost investment grade. However, almost investment grade means that Hungary is still not recommended for investment. The government expects that Hungary can reach this status in 2016.

The unorthodox architect with the stick...

Though the boon accrues primarily to Orbán and Fidesz, these figures are also a vindication for the man who came up with the tenets of what the government refers to as its unorthodox economic policy, former finance/economy minister György Matolcsy. Matolcsy has since left the government to head the Hungarian central bank, the MNB, but the cornerstones of the government's economic policy have not changed.

The cornerstone of the government policy was to boost Hungarian growth by making the country attractive as a cheap manufacturing hub, and with spectacular investments by German carmakers, for example (some already arranged before Fidesz took power in 2010), this strategy has borne fruits. It was also buttressed by a deliberate effort to keep the forint weak, thus making Hungarian exports and tourism, which also experienced a very visible resurgence, more attractive.

The government also strove to keep the budget deficit within the Maastricht criteria by calling multinational corporations to task with massive windfall taxes on banks, retailers and telecommunication providers, and more recently the media as well. This policy, sold to the public under a "no austerity" headline, proved massively popular, both because it attacked a generally reviled group, foreign corporations, and because the public was sold on the – rather implausible – idea that this would have absolutely no impact on consumers. Though providers absorbed some of the tax, in several areas the levies did have a very visible impact on prices.

The so-called sectoral taxes were not meant to serve as pure tax collection, however. The government simultaneously pursued the goal of raising the market share of Hungarian-owned companies in these sectors by driving out foreign investors. This is an openly professed goal in the area of banking, where the government had set out the – since realised – strategic goal of raising the market share of Hungarian companies to at least 50%. But the goal

of "Hungarianising" also appears to apply to the other service sectors that were subject to windfall taxes, price controls or other regulatory burdens.

While the publicly professed goal was one of furthering economic nationalism, critics allege that it had at least as much if not more to do with the goal of shifting lucrative service markets to business interests that support Fidesz. In several areas, pre-eminently retail and media, the painstakingly constructed nature of the respective taxes revealed all too clearly that they were meant to favour Fidesz-aligned businesses at the expense of all market players and occasionally some particularly maligned ones. The tax on the media, which will have a very limited impact on the budget, also pursues political objectives, namely the goal of driving out international players from the Hungarian media market because of their more critical or not sufficiently pro-government reporting. Regrettably, this strategy has also proven successful.

...and the carrot

The emphatic anti-foreign bent of Fidesz's tax and general economic policies, which were often openly professed in the government's communication, led some to the mistaken assumption that Fidesz was comprehensively hostile to all foreign business interests and that foreigners in general would take heed and view Hungary as a toxic investment area.

Regardless of how Orbán views foreign capital, he is pragmatic enough to understand that the economic dynamism that serves as the chief guarantee of his long-term political success cannot be secured without international investors. And thus while the government was very critical towards those service providers it deems easily replaceable by Hungarian competitors, it has taken a very different tack towards foreign companies that invest in manufacturing. The type of activities these pursue are not business opportunities that friends of Fidesz could easily exploit.

Moreover, despite dire predictions by the government's critics that this would completely eradicate any interest in investing in Hungary, that has not been the case. At least some manufacturers have parsed the government's policies in exactly the way it was intended, and, seeing potential profits, they have shifted production capacities to Hungary, creating jobs and raising industrial output. The Orbán government's calculation that whatever reservations international players may harbour, ultimately their decisions will be based on numbers pure and simple, has paid off.

This is not to say that some potential investors that would have otherwise invested were not scared off, and it may very well be true that a less aggressive economic policy would have yielded more favourable investment figures and even more dynamic growth. In fact, that seems likely, especially considering the robust growth rates throughout the region. Nevertheless, the doomsayers have thus far also proven incorrect, and for many Hungarians – who had thirsted for some good news on the economy for nearly a decade now – Fidesz has delivered.

Still a dubious figure

Former finance/economy minister Matolcsy remains a controversial politician nevertheless. He has successfully pushed for abolishing the financial oversight authority and consolidating its functions and resources into the MNB, and then presided over a series of vast brokerage scandals that shook the entire securities industry. Naturally, he has not accepted even a shred of responsibility.

Early in the year three brokerages (Quaestor, Hungária and Buda-Cash) and an affiliated bank went out of business in rapid succession after it was revealed that their finances were so out of order that they were essentially more akin to pyramid schemes than to genuine businesses. In an unusually politicised statement, the MNB was quick to lay the blame at the doorstep of the previous government, which had been out of office for almost five years at

that point. In addition to innuendo about the ties of the brokerage companies to the Socialist Party (MSZP), the central bank's reaction – along with Fidesz's own narrative – was also based on the argument that the previous government had reduced the mandatory frequency of financial audits to verify the soundness of these companies' finances.

Critics quickly countered by pointing out that despite a reduction in the mandatory frequency of audits, the supervisory authority was entitled to perform more frequent audits. Quaestor, whose collapse may have resulted in the biggest scandal – also on account of Quaestor CEO Csaba Tarsoly's close ties to Foreign Minister Péter Szijjártó, whose ministry withdrew its vast assets managed by Quaestor on the day the scandal broke – actually received just a few months prior to its bankruptcy authorisation from the MNB to issue tens of billions HUF worth of bonds that are not backed by assets (Quaestor apparently issued far more bonds than it had been authorised to). Despite quickly issuing statements about criminal activities underlying the bankruptcies, several months later the MNB has also not excelled in sorting out the causes of the scandal. Under Matolcsy, the MNB has also engaged in an unprecedented spending spree, buying expensive real estate and a high class resort for its staff, in addition to high value paintings and other art.

A bag of tricks?

Yet Matolcsy's antics are not the only questions marks concerning the government's economic policy. Though the strength of the GDP figures is undeniably a success, critics have many complaints. First, Hungarian growth still lacks behind the average regional growth figures, and this in spite of the fact that it was achieved at a far higher social cost. While inequality has tended to decrease in the region over the last few years, the gap between rich and poor has widened massively since Fidesz took over, while poverty has surged in the same period (according to all accounts, the number of poor people exceeds 3 million). Moreover, at least some of the

rising poverty is clearly attributable to government policies that exacerbate this harmful trend.

It is also not clear how much of the current growth owes, respectively, to successful government policies and to fortunate winds outside of Fidesz's control. In no small measure, Germany's recent boom has fuelled economic expansion in the region, and with huge investments by both Audi and Mercedes, Hungary has clearly benefitted from this trend. This also raises the question whether there will be sufficient new investments to keep the current pace of growth going once the surge in output produced by these huge investments becomes part of the new baseline. Critical economists have been saying for a while now that the current growth has no long-term basis, and they point to a recent slowdown as evidence that their pessimistic outlook is warranted.

If indeed much of the present growth owes to a few major investments (some of which had been decided earlier) and election year public spending, then the government's hostile attitude to foreign investors may yet come back to haunt Hungary. It also bears pointing out again that despite the recent surge in investments, we simply do not know where Hungary would stand without Orbán's hostile tone towards foreign investors. In any case, it's hard to imagine that more investors crave biased taxes and government hostility. The government was skilful in attracting investments despite the odds, but all things being equal, Hungary would have done better without its deliberate alienation of service sector investors, for example.

Although the budget is still in good order, its long term stability is also a matter of much speculation. For one, there is the fact that the government nationalised private retirement savings and quickly spent the money, creating an immense delayed deficit that future budgets will be strained to make up. Apart from the pension time-bomb, other areas, too, may prove explosive. For one, there is the healthcare system, which routinely amasses huge debts (despite near universal agreement that its services lag far behind popular

expectations) that the government covers on an ad hoc basis when medical suppliers threaten to halt shipments.

Another source of potential problems is the domestic energy sector. Here the government's price controls have successfully driven foreign investors out of the consumer gas market and have left the state-run gas company with a monopoly on a market that creates immense losses for the provider. As long as energy prices remain low, this is a manageable problem, but if they rise, Fidesz will be left with the uncomfortable choice of raising gas prices – which would be vastly unpopular given that it has touted utility price reductions as its principal social and economic achievement – or making up for the ballooning losses of the state-run company with tax revenues, which will strain the budget.

Given the decently performing economy and the concomitant increase in tax revenues, Fidesz has been able to hold the deficit under 3%. In the case of an economic slowdown, the long-term effect of the aforementioned problems will impose a huge burden on the state's fiscal stability, thereby also limiting the government's ability to counterbalance a potential downturn with stimulus spending.

Transparency

Against the votes of the entire opposition, the government has also adopted a major overhaul of the public procurement system. Among the many changes, the evaluation criteria have been rewritten to remove lowest price as the key factor in awarding public tenders, giving job creation and innovative solutions greater weight. The law will also allow tender issuers to set a maximum price above which they may exclude bidders. Tender deadlines will be briefer, there will be more significant limitations on what information can be withheld from the public as confidential business information, and administrative burdens will be reduced. Crucially, the initial law barred companies owned by relatives of cabinet members and

other high officials from submitting bids in public procurement tenders. But in a very Fidesz-like solution, the government replaced this provision a little later, with a relaxed requirement hidden in the final pages of a bill on the comprehensive reform of the tax authority. According to the modifications, only relatives of high officials who actually live in the same household as the officials are barred from competing in public procurement tenders. While this safely excludes spouses (though it is possible that this rule may be circumvented as well by simply registering a spouse's residence at a different address), toddlers and some ailing elderly relatives, for the most part those who are of an age to run their own businesses can legally make a living from public money effectively controlled by their relatives. As an interesting touch, the measure is retroactive to cover the brief period when the family members of high officials were excluded from these tenders.

In combination with the decision to remove price as the top criterion for awarding public contracts, this heralds even greater levels of corruption than experienced heretofore. While theoretically a greater focus on job creation and innovation is a good thing, in Hungary the new award criteria for tenders – especially the nebulous term innovation – have the potential to be used to shift even more public contracts to cronies, which is already a major problem. Furthermore, these companies will be able to charge higher prices, since price is no longer decisive in award decisions. One possible reason behind the shift from price to other evaluation criteria might have been to ensure that Lajos Simicska's companies cannot underbid favoured competitors. The opposition also criticised the shortened tender deadlines, which will make it easier for companies with insider information to submit a bid, while those with less access need more time. Opposition MPs also complained that the law failed to do anything about key problems, such as lacking

transparency in the procedures for drawing up tender notices and specifications (specifications are often used to tailor tenders to specific companies), and the fact that there is often only a single bidder in public procurement tenders. The latter development is also an indication that reasonable market players often conclude that they should not waste their time drawing up complex applications for tenders in which the outcome is predetermined.

The trend towards greater secrecy in the government's activities has also manifested itself in the adoption of policies that make Hungary an attractive target for tax optimisation. In recent years Hungary has emerged as something of a tax haven in the EU, alleges the Tax Justice Network in its recent analysis of EU member states' tax policies. With lax regulations favouring shell companies and the like, Hungary is also increasingly drawing dubious funds that improve financial statistics without providing genuine economic activity.

One area where huge and genuine progress has been made was the introduction of online cash-registers that directly report each shopping transaction straight to the Hungarian tax authority. This has massively increased VAT revenues – already the most significant source of tax income for the government – and has contributed to the low budget deficit this year. Unfortunately, this positive policy was also not entirely scandal-free: the cash registers that matched the tax authority's requirements had to be purchased from a company that is alleged to have ties to Fidesz. On the whole, a strong year in the economy is marred by concerns about the future, social consequences and strong indications that Fidesz remains wedded to corruption.



4.2 | The social reality of the Orbán economy

Worrying trends in poverty and inequality

As we have shown in the previous chapter, certain economic indicators have improved significantly in the last few years. However, such indicators have not affected the strong growth of social inequality in Hungary – it's as if the government has all but forgotten about 3 million Hungarians at the bottom. Income inequality has grown by all accounts, especially over the past three years. Hungary's top 10 percent have enjoyed a significant growth in incomes, while incomes in the bottom 10 percent have declined.

Poverty indicators still show poverty to be at a worryingly high level, especially among Roma and children. According to a recent report by UNICEF, of all EU countries Hungary has seen the highest growth in child poverty in recent years, and those already affected by child poverty have only been getting poorer. One in three children live in an environment that poses significant harm to their health. 170,000 children live in homes that do not even have an indoor toilet, and even more live in homes without lighting. 16.5% of Hungarian children live in "workless households" (with no employed adult), one of the highest ratios in the OECD. The material conditions are not only poor for those who have no jobs: Hungary has one of the lowest levels of household disposable income per capita among OECD countries, and one of the lowest levels of average earnings. Therefore, it is not surprising that life satisfaction in Hungary is also among the lowest in the OECD.

Inequalities can be detected between regions as well. Regarding relative income poverty, the OECD report points out that unemployment ranges from 4.6% in Western Transdanubia to 11.8% in the Northern Great Plain (one of the poorest regions in Europe). This gap (7.2 percentage points) is larger than the regional differences observed in most other OECD countries. Income inequalities go hand in hand with inequalities in terms of access to quality education. Secondary educational attainment is also lower in the Northern Great Plain in comparison to Central Hungary, at 83.2% and 91.4%, respectively, and this gap (8.2 percentage points) is also larger than regional differences in the Czech Republic, Poland and Slovakia.

No way out of the public work scheme

The Hungarian government has been proud of its public employment programme, as they consider it the way out of poverty for many poor and poorly educated people in rural Hungary. While the programme has – at least temporarily – created jobs, Hungary's public works scheme is utterly ineffective in terms of transitioning the unemployed back into the active workforce. According to data published by the European Commission, only about 10 percent of those participating in the scheme managed to transition into the active labour market during the first six months of 2014. The Commission thinks Hungary would be better off if it spent this money on pursuing employment policies that encourage participation in the active labour market. The Brussels-based institution argues that pursuing a policy of public works schemes is the least effective way of encouraging participation in the active labour market. Public works can be used, but the use of such policies should be strictly defined. The Budapest Institute, a Hungarian public policy think-tank, came to the same conclusions. Based on an analysis of the possible ways out of public work programmes, more intense participation in public works, as manifested in a longer duration or more working hours per week, clearly reduces the chance of exit into the open labour market, and increases the chance of re-entering public works.

In his previous term, Viktor Orbán declared to build a „work-based society”, without defining concretely what he meant by it. What is certain is that public work schemes are vital to his idea. Social spending has been reduced, while public work schemes have been expanded. If we evaluate the results of the last few years, we may conclude that the main goal might not be the transition to the active labour market, but the real goal is a „work-based society” where everybody has to work, some even under the minimum wage level. The most alarming trend regarding the Hungarian public works scheme is that it is beginning to replace the active labour market. Hungarian media has reported about several cases in which highly qualified individuals in the public sector were laid off, only to be rehired as public works employees for the same job, but for lower wages.

The paradox of low wages

Hungarian economists have increasingly started to speak about the paradox of low wages in the case of the economic policy of the Orbán government. The essence of the paradox is that the low wage level, which has so far boosted investment in Hungary, is becoming increasingly problematic for companies as many qualified workers leave the country. Therefore, it seems that the wage level not only affects the quality of life of workers in Hungary, but is also a serious impediment to faster economic growth. As a consequence, numerous experts, trade unions and left-wing opposition parties – especially MSZP, which has focused its agenda on higher wages in the second half of 2015 – argue that the government should intervene in order to increase wages and maintain the country's competitiveness.

While low wages have attracted significant investment, Hungary's competitiveness is coming under pressure due to the lack of a proper workforce. The lack of qualified workers is a major challenge for logistics companies as well as for the automobile sector and processing industry. The main reason for the lack of

qualified workers is migration. It is, of course, not possible to make Hungarian wages competitive with German ones since such a hike would without doubt make Hungarian companies' operations unprofitable. However, even according to a recent research carried out by Raiffeisen Bank, a 15-20 percent wage rise across the board would not seriously decrease the profits of Hungarian firms.

Emigration continues

Not many would question that emigration from Hungary to Western Europe has become one of the most important problems of the country. Conservative estimates put the number of Hungarians working abroad at about 400,000-500,000. Unless Hungary's wages come closer to those in the rest of Europe young – and even not so young – Hungarians will continue to emigrate. The problems of emigration should be looked at from a long-term perspective, of course. If current trends continue, they would cause great shortages not only in the abovementioned industries, but in healthcare, education and technical sectors as well.

The situation is especially severe in healthcare. Hungary's healthcare system is on the verge of collapse as a result of the very high proportion of healthcare workers (both doctors and nurses) moving abroad. LMP co-chair Bernadett Szél has surveyed 500 doctors and nurses about working abroad, and 80% expressed an intention to leave. Szél said that even experienced healthcare workers, and not only young people, see a move abroad as the only chance for success.

It must be mentioned that it is not necessarily in Fidesz's interests to attract those Hungarians back to the country who have left because of economic reasons. These emigrants shine a light on the essence of the government's economic policy, which is practically based on meagre wages. It is reasonable to assume that the governing party is not as popular among them as it is back home. The prime minister is trying to downplay the emigration problem, claiming that people are leaving the country "to seek adventure", whereas most researchers agree that many highly skilled experts going abroad are leaving a hopeless financial and labour situation behind them. The bad news for Hungary is that the tendency of emigration will certainly continue unless employment in Hungary can ensure a decent wage.

There is already some evidence showing that many Hungarian expats have managed to attain a decent wage in their new countries. According to the Central Statistical Office (KSH), Hungarians working abroad sent home HUF 920 billion (€3 billion) in 2014. The year's remittances beat the 2013 number and now make up some 3 percent of Hungary's GDP, which is high even by regional comparison. 2014's record-breaking remittances may be surpassed in the years to come as working-age Hungarians continue to migrate for better work prospects and higher pay elsewhere. However, if in an increasing number of cases emigration involves the removal of a full household from Hungary to another country, then the Hungarian economy will obviously benefit less from remittances than it does currently.

4.3 | Education and health: towards a two-class system

It is telling that a cabinet now has a second minister in charge of leading the prime minister's office but no minister in charge of either health or education. The vast majority of Hungarians depend on public education and public healthcare because they either lack the financial resources for private health services or because private services are simply not available in their region or in the area of specialisation they need. Yet the way these large governmental subsystems work, or often fail to work, has not figured prominently in public discourse. Neither healthcare nor education have elicited much of a reaction from the public since Fidesz dealt an immense blow to the previous MSZP government by bringing down modest healthcare fees and university tuitions, vowing that healthcare and education must remain free.

The public's lack of interest might be interpreted as a sign that all is well in these areas, but an actual look at the way schools and hospitals work in Hungary suggests otherwise. There are a lot of similarities in the way the government has handled these areas, but there are plenty of differences as well. In terms of the similarities, funding for these areas as a percentage of GDP has declined near continuously since 2010, and quite drastically, too. In 2010 the state spent 5.9% of GDP on education and 4.6% on health; the 2016 budget envisions spending of 4.6% on education and 3.9% on health. According to Eurostat data, Hungary was only one of two countries in the wider region (Romania being the other) where education spending has declined since 2008. With respect to health, nominal spending has increased slightly, but relative to GDP Hungary's expenditures in this area are also among the worst among developed countries.

In terms of government attention, education has not been subject to the same massive neglect as healthcare, on which Fidesz has done virtually nothing for the past five years, and which it seems determined to ignore until the public revolts. Though 2015 has been fairly quiet on education reform, in light of a wide variety of reforms one can hardly argue that the government did nothing in this area since it took office in 2010. Nor would it make sense for Fidesz to ignore it, as the governing party is committed to reshaping Hungarian minds, and education is the most effective instrument to this end. But the actual reforms in education have not necessarily benefitted the education that students receive, and declining spending is only one facet of the problems.

Whatever the differences, however, there are certain key common approaches that unite the treatment of these two areas. The first and most striking development is the deliberately planned creation of two (or more)-class systems that deliver different services based on individuals' socio-economic background and geographic location (two factors that often go hand in hand, of course).

The government is engaged in a creeping privatisation in both areas, but given its opposition to any privatisation in healthcare and its rejection of the idea of asking parents or students to pay for education, it cannot publicly admit what is going on.



A private healthcare...

Surreptitious privatisation in healthcare is not a new phenomenon. It has been ongoing at least since regime transition and in some areas even longer. Through a variety of minor measures and a subsequent comprehensive reform plan, the Gyurcsány government sought to bring the issue out in the open. It acknowledged that citizens would have to contribute more to maintain the healthcare system, and they would have to do so based on their actual use of healthcare services rather than only through universal co-payments. Citizens reciprocated that honesty by telling the Socialist-led government by an overwhelming margin in a Fidesz-initiated referendum in 2008 that they want none of this.

So once Fidesz took power in 2010, it reacted much like previous governments have done, by starving the healthcare system, letting its infrastructure decay and compelling underpaid and overworked staff to perform well beyond capacity without overtime pay. As a result, doctors go abroad leaving vast regions underserved, while the nurse-to-patient ratio is so bad that it is destructive to the morale of both nurses and patients.

It is hard to imagine that a healthcare system as sickly as this one can provide health to many. And in fact it cannot. Hungary's health indicators are among the worst in the EU. There is, however, a creeping privatisation going on that provides a small measure of relief for the system overall, even if it increases the injustices of an already problematic system. The model for this gradual privatisation is maybe best illustrated by the example of dentistry, where the process has progressed furthest. Theoretically, dentistry is publicly funded like all healthcare in Hungary. In practice, going to a private dentist is one of the minimum requirements of upper middle-class status and is common in large segments of the middle-class as well. An increasing number of Hungarians never encounter publicly-funded dental care and have come to accept this as natural. This gives them better care, while in a sense those who remain in the public system receive better care, too: their waiting

times, though still excessive, are somewhat reduced at least until healthcare managers factor in the dropping patient numbers.

As for other medical fields, however, there are still no full-fledged private hospitals, and physicians who provide private services often depend on the diagnostic and other instruments that public healthcare has the resources to acquire. Ordinarily, it would make sense that patients referred by a private physician to a public hospital have to pay a fee for using the public hospital's services, but since healthcare is free (with some selectively enforced conditions, such as enrolment in the national insurance scheme), that is not an option. What happens instead is that private physicians are generally also employed at public hospitals, and they refer their private patients to themselves in their capacities as public hospital employees, often giving their private patients special treatment in terms of waiting time, attention, etc. This is also a form of privatisation, and it is also not a new development.

Though there is still no comprehensive policy on this issue, many hospitals have adapted by offering private services outside the social security scheme, which allows patients to jump waiting lines. Theoretically the treatment is the same, though few believe that to be the case in reality. Given the prevailing alternative, where this is done completely informally and no money at all accrues to the hospital, the more open model is actually progress. But it is also a very public though officially unacknowledged form of privatisation that Fidesz had previously rejected, and it is moreover done in a system where the gap between the quality of private and public healthcare is growing, though it is still not as large as it is in some western countries.

In the meanwhile, however, there are increasing signs that Fidesz is allowing the healthcare system to crumble to an unprecedented degree, and this has caused some scandals that even the public took notice of. In July, for example, the media reported about an investigation carried out in February by the Parliamentary Commissioner for Civil Rights (the Ombudsman), which found

conditions recorded in photographs at the closed psychiatry of a hospital that were catastrophic by any standard. A few months later one patient murdered another in the psychiatric ward while another tried to escape by jumping from a second floor window.

Apart from shining a light upon the generally bad state of healthcare, the report also illustrated another key problem in the Hungarian healthcare system, which is also common in education: the more vulnerable a group, in this case addicts and people with mental conditions, and the more diminished its capacity for making itself heard, the worse the service it will receive.

...and a private education

A similar process has been ongoing in education for a few years now. Here private providers, especially ecclesiastical schools favoured by the Fidesz government, play an increasing role. While privatising public hospitals remains an anathema to large segments of the public, this taboo does not attach to schools. The share of ecclesiastical schools has been rapidly on the rise since Fidesz took over (they also receive government subsidies for each student), sometimes in violation of a previous Constitutional Court decision stating that a local school may only be taken over by a church if a secular alternative is not available within reasonable distance. Given the general perception that locally available public schools often fail to deliver, expensive private schools are also increasingly popular.

There are also less direct forms of privatisation. While schools and kindergartens are legally barred from asking parents for any contributions apart from school meals (which are free for students in need), in reality educational institutions are routinely compelled to beg parents for money to buy even basic staff, including even relatively cheap necessities such as toiletries, tissues and the like.

The result is that public schools in wealthy neighbourhoods can afford to complement the tight budget available to schools and can thus significantly improve the educational experience, while the quality suffers at schools with students from less affluent backgrounds. This problem is especially pressing for ambitious students in communities with only one school, where alternatives to the underfunded local institution may be unavailable or may impose major hardships in terms of travel. This may make a church-run school considerably more attractive from the local perspective.

“Reforms”

Back in 2011 Zoltán Pokorni, who was once the widely respected chief education policy-maker in Fidesz, complained in a lengthy statistical presentation about the state of education. The prime minister responded in a rather telling way: “Zoli, you can go on about these numbers, but I see life differently”. Needless to say, Orbán's views have prevailed and Pokorni has been completely sidelined, along with the numbers he presented.

The reforms in the education system primarily aim to centralise the education system at all levels, narrowing the autonomy of educational institutions, even in the case of higher education, whose autonomy is constitutionally enshrined. In the case of primary and secondary education, the Klebelsberg Institution Maintenance Centre created in 2012 has vast authority over schools. In higher education, the so-called “consistories” introduced in 2015 will serve as the institutions to oversee the operations of universities. Though they perform no logistical functions and merely provide oversight, they have considerable powers to steer the activities of universities. Fidesz is also actively building new institutions. The National University of Public Service was established with a vast budget compared to other Hungarian universities, and the Hungarian National Bank now has foundations that have bigger funds at their disposal to promote “unorthodox” economic thinking than the annual budget of the whole higher education system in Hungary.

Centralisation in public primary and secondary education has not only had an impact on funding and logistics, but also on educational content, which the government wishes to control as directly as possible. To this end, it has limited the textbook market to a few books selected by the government itself. This might have served the dual function of funnelling EU and taxpayer money to government-friendly intellectuals and printing companies, as well as to keep a tight lid on the ideological orientation of the content. In some cases, this had led to scandals due to the shoddy quality of the texts and occasionally because of perceptions that certain texts were politically questionable. Some of the impugned authors have defended their qualitatively problematic texts by arguing that they were facing extremely tight deadlines (as short as three months), which is a typical symptom of Fidesz wishing to implement even its major reforms as rapidly as possible, and then applying endless stopgap measures to correct the resulting problems.

Some mixed measures

There were also some reforms in the area of education based on goals that are in principle less controversial, though the actual implementation raised many question marks. Thus the government is pushing for increasing the number of students who participate in technical education, to raise the number of skilled workers and specialists. There is near universal agreement that there is a shortage of skilled labour and certain technical professionals, but there are also doubts whether the new structure created by the government will be suitable for alleviating these shortages. What is even more disconcerting is in how far this push goes hand-in-hand with an effort to drive students out of school (see the reduction in the mandatory minimum age of schooling) and especially away from universities (reductions in the state funding for students). This is meant to complement an economic policy that primarily wishes to put Hungary back on the economic map as a low-wage manufacturing hub. Despite the current successes of the government's economic policies, some raise doubts about the

social implications of a policy that is deliberately aimed at keeping those from underprivileged backgrounds out of higher education, especially since the social rift in Hungary has already deepened dramatically and threatens to grow worse still.

The government has also introduced a peer review system for teachers, which has been subject to both ridicule and criticism. The ridicule was aimed at the acronym of the new scheme that spells a fairly common sexual slang word in Hungarian. Though this is not in itself a relevant issue, it did raise some legitimate doubts as to how well thought-out this policy was if its creators failed to come up with a name that does not quite so readily lend itself to ridicule. Unsurprisingly, teachers have sought to portray the entire scheme as dilettantish, though we are not in position to judge. Nevertheless, the professed goals that the government seeks to pursue by introducing the evaluation scheme, e.g. more innovative teaching methods and higher quality of education, seem worthwhile enough. It would unfortunately not be a particular surprise, however, if the realisation was shoddy once again.

On the way towards a two-class system

Overall, what is happening in education and health is not dissimilar to what is going on in several other policy areas. Fidesz is in the process of constructing a two-class society with a small but significant upper-middle class and a vast underclass, with the corresponding healthcare and education services for each. The same policy approach underlies a tax scheme that gave an immense boon to high income individuals while offering nothing for those at the bottom end of the income scale. In the meanwhile, the government's core "social" policy is the legally mandated lowering of utility prices for all, netting immense savings for those with large houses as compared to those who dwell modestly and save far less.

In this system those with resources are hardly affected by the decay in the quality of public services, as they can buy the way out

of the system or worse, extract the best quality from the public services while leaving common folk with the worst, an old legacy of real existing socialism.

As in many other areas, the problem is that there is very little public pressure to change these things. Since the decay is gradual, it is not apparent at first sight. And of course keeping the education levels down and allowing fewer people to attend higher education, will increase the share of those in the population who are less educated. Experience show that this segment of the public is less likely to complain or to become active in challenging authority.

While some maintain that at the very least in health the level of public care will suffer to degrees that will make the system collapse, the fact is that this is not very likely. Fidesz has been fairly good at putting just enough money into the system to keep it chugging along, saving hospitals from bankruptcy again just this year.

The greater danger is not that these systems will fail in a spectacular manner, but that they do so in less ostensible ways that ruin the education of a generation and the health of several, without any chance of serious change.

4.4 | The new media landscape in Fidesz's Hungary

There has been a major transformation ongoing in the media since roughly early 2014. Radical transformation has of course been a key feature of the media system ever since Fidesz took power in 2010, but the changes were mostly unidirectional – the right-wing press was increasing its positions, while the left-wing media is in a state of disintegration. The overall trend has not changed, but it is nevertheless no longer possible to characterise the wide variety of changes with this summary description. Instead, the general trend of surging right-wing and declining left-wing media is now augmented by major fluctuations within the individual camps, rendering the right more heterogeneous and providing a few glimpses of hope for the left, which fails to negate the general downward trend, however.

The changes on the right are more momentous, and while these have the potential to alter the course of society and politics, it is far from clear what this means in practice. The main source of the vast changes in the right-wing media is of course the conflict between Viktor Orbán and his former closest friend, the oligarch Lajos Simicska, who controls – among other, ideologically less committed media holdings – three flagship institutions on the right: the daily Magyar Nemzet, the television channel Hír TV and the weekly *Heti Válasz*. The desire to curb Simicska's influence logically featured a plan to reduce the role of Simicska's media, which are a major source of influence. While there are signs that the conflict broke out in the open prematurely, thus giving Fidesz too little time to fully prepare for a changing media landscape, there were government plans to crowd out the Simicska media and they are now in the process of implementation.



Empires clash

By any measure, the most important change in the Hungarian media is that Simicska's media holdings are no longer uncompromisingly pro-Fidesz. They remain right-wing, and despite Simicska's extremely sharp attacks against Orbán, the critical tone in his media outlets is still subdued, but nevertheless: the attitude of trying to justify the government's actions at any price is gone. The previously vicious and often libellous attacks on the left-wing opposition have become somewhat more moderate, and there are now even pieces and items that are openly critical of the government. In essence, these media outlets are becoming more like normal conservative media outlets rather than the pro-Fidesz mouthpieces they used to be.

While the editors and journalists at the Simicska media outlets try to frame this as a subtle shift, it is nothing of the sort. It is a major change and the fact that numerous high and low profile staff members have left to join more openly pro-government media underscores this. Moreover, it is at this point far from clear whether there is any real market demand for politically independent right-wing journalism, and the sudden disappearance of previously massive government advertising is going to turn this issue into an essential question. What brought the simmering conflict between Simicska and Orbán out in the open was the issue of the advertising tax, but now Simicska is losing far more money through the withholding of various forms of government subsidies than the tax bill his media companies have to pay.

A new strategy

The withdrawal/ouster of Simicska's media empire from the web of Fidesz-aligned media services results in – or rather reflects, depending on the preferred chronology – a rearrangement of the governing party's media strategy. The semi-official line, proclaimed by Viktor Orbán in a non-public meeting with leading figures of the

private pro-Fidesz media, is that the government will no longer prop up these media financially, they must fend for themselves. Instead, Orbán asserted, the government will focus its attention and funds on public media.

Given that the private pro-Fidesz media have largely functioned as ideologically committed, uncritical propaganda outlets, this also implies what the government's view is of public media independence. Substantially, this is not new of course. Since Fidesz has taken power, public media have shifted from a slight pro-government stance to a massive pro-government bias.

The fact that the public media are used as propaganda instruments is not new. What is new in Orbán's pronouncement is the reorganisation of the public media and the – alleged – abandonment of private media. As for the former, it is still taking shape, and money is not an obstacle: the 2015 budget of the public media was 80 billion HUF (€ 265 million). Thus far, its main result is the conversion of the former main public television channel M1, into a news-only channel. Though it is too early to judge the results, thus far M1 has lost viewers precipitously, while news production was plagued by an unrelenting series of professional errors.

As for the latter, the abandonment of pro-government private media, every indication is that this is simply not true. What is happening instead is that new pro-government media are created to assume the role of the Simicska outlets' uncritical propaganda. Many of the details are still hazy, but a key change is that Orbán apparently wishes to do away with the mistake he made previously, that is giving too much influence to a single person. Instead, control over the pro-Fidesz media will likely be distributed among several oligarchs. Several prominent and less widely known have been rumoured to take a role, most prominently Árpád Habony, Orbán's unofficial advisor, as well as Andy Vajna, the Hollywood producer turned film commissioner.

The sale of TV2 – a new chapter in the Orbán-Simicska media war

The sale of the second largest commercial television channel in Hungary, TV2, has opened up a new front in the media conflict between Orbán and Simicska. Ministerial commissioner for the national film industry and pro-government entrepreneur Andy Vajna announced that his company, Magyar Broadcasting Co. Kft., has signed a deal with the TV2 Media Group Holdings Kft., which involves the sale of TV2. On the very same day Lajos Simicska's business partner, Károly Fonyó also announced that the Megapolis Média Zrt., of which he is the sole owner, had already purchased the TV2 Media Group Holdings Kft. two days earlier, which is why the company's managers should not have been allowed to sell the channel to Andy Vajna. This episode saw the onset of a series of conflicting statements between the warring parties. For the time being, it is unclear who will be registered as TV2's owner, but regardless of the technical decision, the losing party is more than likely to attack the outcome in court. As a result, protracted litigation is likely to follow and it may take months to sort out who the lawful owner is.

The sale of TV2 is primarily a political affair, since in and of itself the acquisition is not an attractive investment, as the channel is usually unprofitable. It could generate profits for its new owners, however, if the broadcasting fee, government advertising and other relevant regulations all align in favour of the new owner. Andy Vajna more than likely saw this as a good investment opportunity due to his close economic/political ties to Viktor Orbán. Lajos Simicska, by contrast, can hardly expect any government support should he become the owner; without it, however, there is not much hope of operating TV2 successfully, at least from a financial perspective. This indicates that Simicska was motivated by revenge following his public break with the prime minister, and he sees this as an opportunity for political provocation.

New Fidesz media

Along with a low visibility oligarch, Tibor Győri, Árpád Habony is an owner of the Modern Media Group (MMG), which was set up in April 2015 as part of Fidesz' new media strategy. Thus far MMG's actual activities have been rather limited; it has launched a free and mostly politics-free tabloid, Lokál, and an accompanying website, neither of which has made much of a splash in the media landscape thus far. This was followed by the launching of 888.hu, a pro-government website (and clearly a reaction to liberal website 444.hu), which has failed to become a major player in the online scene so far.

In the newspaper market, two changes have already appeared. For one, Napi Gazdaság, a financial newspaper, was acquired by the pro-Fidesz think tank Századvég, and has sought to assume the role previously occupied by Magyar Nemzet as the flagship daily on the pro-Fidesz right, though for the time being it far lacks the readers to be successful in this effort. In September, the newspaper lost its former financial outlook, has reoriented itself towards political reporting and was renamed Magyar Idők (Hungarian Times). It is mostly edited by exiles from Magyar Nemzet's newsroom.

The right-wing media scene is in flux right now. The open questions are, among others, what further new media companies and outlets will be established; who will own the new media outlets; and how much funding will the government give to commercial enterprises? Another key question raised above is whether Magyar Nemzet and Hír TV can survive as critical right-wing outlets. If they do, that will likely do so as a drain on Simicska's billions – and while Orbán is in power, Simicska is extremely unlikely to be offered a way to recoup his lost money.

An even more confusing situation on the left

While the situation on the right is chaotic but rife with opportunities, on the left only the former applies: key parts of what are considered the remnants of left-wing media are taken over by nebulous investors, and many of the remaining outlets teeter on the edge of financial viability. Already last year, the previous owner Ringier sold its majority stake in Népszabadság, Hungary's highest circulation broadsheet, to the Austrian company Vienna Capital Partners (VCP). This summer, the Socialist Party (MSZP) divested itself of its 28% share in the newspaper, which were also sold to the Austrian company owned by the businessman Heinrich Pecina. Pecina had rejected all speculation that his investment was inspired by underlying political motives, and in fact thus far there has been no change in the newspaper's tone.

A new investor has also appeared in Hungary's only non-internet based opposition radio station, Klubrádió. The radio station has been a thorn in the eyes of the government, and throughout the past couple of years a variety of measures were taken to outright render it inoperable or ruin it financially. While a total revocation of its broadcasting frequencies failed in court, Klubrádió has lost most of its frequencies. In return for a cash infusion in the value of 40 million HUF (roughly 130,000 euros), a company called Brit Media Investor Ltd. has acquired a negligible, 5% stake in the station. Little is known about Brit Media Investor Ltd. except for the fact that its part-owner and CEO maintains ties to the United Hungarian Jewish Congregation (EMIH). EMIH is an orthodox Jewish group that some in the wider Jewish community perceive as overly friendly towards the Orbán government. Still, nothing is known about the company's political intentions, if there are any, and thus far its presence in the media market remains limited.

But the withering of left-wing media is not necessarily an indication that the entire media will solely be controlled by the pro-Fidesz right. There is of course the Jobbik media, which is rising, though

that's hardly a boon for democracy. There is RTL Klub, which remains critical; and there is now the powerful Simicska media empire, which remains right-wing but is sometimes critical of the government (without endorsing the opposition). And there are signs that just as NGOs are increasingly at the centre of opposition against the Fidesz-government, expressing and disseminating critique that should be advanced by the opposition parties, the same is true in the media: there are journalistic initiatives, anti-corruption and investigative journalism news portals; blogs; social policy-oriented news portals, etc. While the historic media may be struggling to adapt to the new media environment, especially Fidesz's efforts at drying up any potential sources of funding, many of the media that have thus far successfully adapted to this environment are merely a few years old or even younger.

Generally, these media tend to have no party political loyalties, but they are nonetheless often extremely critical of the government. To wit, Index.hu, one of Hungary's top two online news portals, was never a friend of the previous government (or the current opposition) but is also increasingly vocal about its opposition to the Fidesz government's policies, despite the right-wing ties of its owner, which is somewhat ironic, given that a group of former Index staffers left to found the portal 444.hu in 2013, allegedly because they did not find Index critical enough. Among specialised portals, the anti-corruption/investigative sites Atlatszo.hu, K-Monitor and Direkt36 may be mentioned as key sources of criticism.

Money matters – but it's not everything

To summarise the essence: the new type of opposition media are vibrant, energetic and varied, but for now they lack the reach of established media, and especially the latter's access to the frequencies and broadcasting channels whereby those reach the segments of the population who cannot be reached through internet-based media. Thus for the time being, their influence

is limited as compared to Fidesz's more broadly-based media portfolio, but it does not mean that their presence is irrelevant.

If one accepts the absurd Hungarian media market situation that politics and media institutions are hopelessly intertwined, then the challenge for the political actors in Hungary is that while control over information and opinion remains crucial, the structure and ownership of media institutions is by far not the only thing that's relevant to this end. Media landscapes are also undergoing significant consumption pattern-led changes, and the situation is

no longer as simple as buying the most influential media outlets to control or at least dominate the dissemination of information. New influential media can arise out of nowhere and with little funding, while old, costly behemoths often lose their clout. This holds out the possibility that at least in the short term, financial David's can become (somewhat) competitive with deep-pocketed media Goliaths.



4.5 | Land privatisation 2015

Towards the end of 2015, the dominant issue for Hungarian voters was clearly the omnipresent refugee question. There was only a single issue that became important enough to challenge the refugee question's monopoly for the attention of the voting public: the Orbán government's announcement to privatise several hundred thousand hectares of publicly-owned lands in the span of just a few weeks. Fidesz claimed to be helping farmers, while the left-wing opposition spoke of another round of corruption and the far-right accused the government of treason.

Fidesz sells the state-owned lands

Fidesz declared in the summer of 2015 that it planned to privatise some 400,000 hectares of state-owned land by the end of the year. This is more than half of all state-owned land, but only 7% of total agricultural land (both state and privately owned) in Hungary. Since Fidesz had previously campaigned on the promise of retaining state-owned lands in public ownership, the privatisation announcement was a surprise for many. Smaller plots of land measuring under three hectares are only announced, and then potential buyers can submit a bid and then buy the parcels of land. Greater parcels are auctioned off at the county seats and bidding starts at the market price plus 10%. Those who do not have sufficient funds at their disposal can still submit a bid because if necessary, the Hungarian Development Bank provides farmers that purchase land through the auction with a credit, including interest rate subsidies. Land that was thus purchased may not pass into the property of someone else, the sole exception being a legal inheritance. Should a sale or other transfer of deed nevertheless occur, then the land in question reverts back

into the property of the state. To purchase land, a buyer must have been a loyal resident for at least three years and must be officially registered as a farmer. Those who have been leasing the land that is auctioned off for at least three years enjoy a right of pre-emption, but a maximum limit of 300 hectares per person applies. There is no limit, however, on how much land can be managed altogether, and thus if all of someone's relatives purchase 300 hectares each, then this may be managed as part of a single farm, with the result that grand estates spanning several thousand hectares may be created.

It is important to stress that the lands now offered for auction are all currently under long-term lease agreements (periods of 30-50 years) for the purposes of farming. The occupants tend to be big agro-businessmen and agro-companies, usually with close ties to Fidesz. What this means in effect is that once the lands have been privatised, the new owners can only receive rent from the lessees, they can neither farm it nor collect EU farming subsidies. The exception is, of course, if the new owners coincide with the current lessees. Which bring us to the most important question: why is Fidesz selling these lands right at this time?

Why is Fidesz selling the lands?

There may be numerous reasons behind the sudden land privatisation plan, and hence we need to review several potential scenarios.

1. Initially, government communication on the subject emphasised that this is a way for Fidesz to prevent that Hungarian land end up in foreign hands by any way or means (for example as a result of pressure by the European Union). Yet this reasoning is patently false, for no one can actually force that Hungarian state lands be sold to foreigners. It is conceivable, however, that despite the government's best efforts privately owned land is ultimately sold by the owners to citizens of other EU countries.

2. The prime minister's other argument is that the land distribution is "realising a century-old promise" by the Small Landholders, a traditional Hungarian rural right-wing party. This argument may even withstand scrutiny, if we interpret it as saying that Fidesz wants to shore up its support in small rural municipalities (where Jobbik is often as popular as the governing party) by handing over land to local bigwigs, opinion leaders and employers.

3. But there may also be other reasons behind the land privatisation. The state expects some 300 billion HUF in income from the sale of lands, which is 2% of the Hungarian budget for this year. The government wishes to keep the deficit in at under 3% at any price to comply with the relevant Maastricht Criterion. This would be easily met with the extra income from the land sales, indeed, it would give the government some wiggle room for further spending.

4. Ever since 2010 the Orbán government has been systematically constraining the manoeuvring room of future governments. According to the Fundamental Law, Hungary's new constitution, most key laws (also including the Land Act and tax laws) can only be amended or repealed by a two-thirds majority, which is why in the absence of such a supermajority any future government would essentially have to follow on the path previously charted by Fidesz. Through reshuffles of the banking, tobacco, gambling, energy and retail markets, non-Fidesz aligned businessmen and politicians have partly or largely been banished from these strategic sectors of the economy. The land privatisation scheme continues this trend, for the state has settled who may own/lease land and who may not for the coming 20 years. The Orbán government achieves this goal mainly by using subjective criteria in its tenders and by cherry-picking which state-owned land 'deserves' new, pro-government private owner or leaser and which one does not. Although, this is not without precedent in the Hungarian post-communist history – former conservative and left-wing

governments sold state-owned land too –, but the mere scale of the 2015 land privatisation (almost 400,000 hectares) shows a systematic change in Hungarian land ownership, not just a simple sale.

5. The land privatisation project is also equally suitable for reinforcing or weakening the positions of current lessees, who are often major plutocrats or oligarchs. Those who argue that it serves primarily the goal of reinforcing pro-government oligarchs point out that the current lessees are most likely to buy the land for sale, and they are also the only ones for whom it is a good investment – they have the capital and they would definitely continue to be those who cultivate the land for decades to come. Moreover, they have a right of pre-emption. At the same time there are also those who claim the opposite objective, namely that the privatisation scheme serves as an instrument for the government to get rid of some (i.e. non-Fidesz-aligned) oligarchs who are currently leasing state-owned lands. The sale of the lands they use might open up the opportunity to renegotiate the effective land lease agreements, and the new owners might potentially be able to get rid of the old tenants.

Whichever scenario ends up being realised, the fact is that Hungarian agriculture still offers roughly 4-5% of the nation's GDP, and continues to offer jobs to some 190,000 persons who are directly employed in agriculture, and a further several hundred thousand whose work is indirectly dependent on this sector. And while that is the case, the historical processes and their underlying mechanisms of power will combine to make land in Hungary a political instrument in the hands of the powers that be, and this situation is likely to prevail for a long time to come.

4.6 | Outlook on the economy and society in 2016

On the surface, numbers about the state of the economy look great for the Hungarian government. Economic growth seems to be stable above 2.5%, the budget deficit is below 3% of GDP and inflation is low. It can be expected that Fidesz will keep on paying special attention to these indicators as these are the ones that receive the most scrutiny from the EU. However, the social reality behind the aggregate numbers offers a picture of a different Hungary. Growth is distributed in an increasingly uneven way, and more than ever people are at risk of poverty, especially among Roma and children. Hungary is now a country with one of the lowest levels of average earnings in the OECD. Moreover, low wages are no longer considered a competitive advantage by numerous experts, but are rather seen as an obstacle to improving the country's competitiveness due to the big waves of emigration that poor living conditions and future prospects have fuelled.

Fidesz has managed to get away with neglecting the vast underclass so far, but growing social tensions are clearly the biggest political risk for the governing party, besides corruption, of course. The key question of 2016 is whether the opposition can bring social issues – and the quality of public services – to the top of the agenda, and if yes, which party could benefit the most from it. Theoretically, left-wing parties are the best placed to do so, but if they fail to capitalise on growing inequalities and increasing poverty, then eventually Jobbik might live with the opportunity, since it is not a new phenomenon that the far-right party shows a socially responsible face, especially in rural, eastern Hungary. Education and healthcare will certainly remain the weakest points of Fidesz at the policy level, offering plenty of opportunity for the opposition parties to attack the government. Wages will also

surely remain a key issue for many years to come. Consequently, it is likely that the Socialists will keep on promoting their policies on massive wage hikes in 2016 as well.

Meanwhile, the government is continuing the expansion of its influence in numerous fields in the economy. The intention to do so is clearly perceptible in the reformulation of the public procurement regulations, the measures taken to rearrange ownership conditions in the media, in landed properties and in the energy sector. The complete nationalization of the energy sector is the government's main energy policy objective, which may achieve its full purpose after the takeover of the market service providers and the acquisition of the distribution companies in the next two years. As a result, the energy infrastructure is also likely to be owned by the state in the future. The decision to privatise several hundred thousand hectares of publicly-owned lands in the span of just a few weeks is also widely regarded as a move to put another part of the Hungarian economy under direct Fidesz control – and in the case of lands, even in the ownership of Fidesz-friendly businessmen.

There are also signs that Fidesz is not pleased with multinational companies expressing their opinions in public debates. In one of the most absurd stories of 2015, the Hungarian government terminated some of its contracts with Magyar Telekom after the latter terminated its corporate sponsorship of Hungarian pop star – and Fidesz celebrity – Ákos after the latter made comments generally considered to be insulting to women. The remarks of Ákos were published right after the comments by the Speaker of Parliament, László Kövér, who also revealed his opinion about the place of Hungarian women in the world. At the same time the

government launched a new campaign emphasising family values. The message to big companies was clear: do not mess with the strategic issues and messages of Fidesz.

Although it seems less crucial at the end of 2015 because of the success of the anti-immigration campaign, a lot might depend on how fast Fidesz is able to rebuild its media empire after the Orbán-Simicska clash. The first few steps have been taken. Hungarian public TV has been turned into a loyal news channel, and Orbán's adviser Árpád Habony has also launched some smaller media outlets. Still, the current Fidesz media is far from its best days, the years between 2010 and 2014. The acquisition of TV2 by film

commissioner Andy Vajna would be an important step towards the realisation of this goal, but the further strengthening of Fidesz's presence in the online sphere is still needed (a friendlier Origo.hu could help address this problem). Jobbik is also expected to build its media empire further, while the best hope of the left – beyond RTL Klub – are some highly influential news portals that are overwhelmingly critical of the government, though at the same time they do not necessarily support the left-wing and liberal parties either. As the situation of the opposition media remains confused, the time is on the government's side.

Conclusion

Where is Hungarian politics headed in 2016?

2015 ends with Fidesz on a roll. It concludes what may well have been the governing party's most successful year outside its two overwhelming election victories in 2010 and 2014. In fact, Fidesz probably wishes 2015 had been an election year as well, for by autumn at the latest it would probably have trounced the opposition by even larger margins than it attained in 2014. As Medián reported in its final poll of the year, no governing party in Hungary has been as popular at this point in its term as the Fidesz government now. That includes the previous Fidesz term, for by the end of 2011 the government's prospects were nowhere near as rosy as they are now. Hardly anyone would have thought this possible at the end of 2014 or the first few months of this year, when buyers' remorse appeared to set in among voters and Fidesz's star was fading fast. This all owes to a single issue that Fidesz successfully exploited to the maximum, namely the refugee crisis.

What will happen to Fidesz when there is no longer a way to keep the refugee issue on the top of the public agenda? We may not find out for a while. If the refugee stream persists, or Fidesz manages to frame the issue as relevant in the absence of visible refugee flows, then 2016 may become a replica of 2015. It is impossible to venture a guess when voters will tire of the issue.

Yet assuming that at one point the question of how to handle refugees will no longer dominate the public agenda, there are a few underlying problems that Fidesz will have to face again. Primarily,

it will need a current enemy. Fidesz has never succeeded over sustained periods without defining itself against an enemy, without "defending" Hungary against something. Though theoretically a governing party should be able to succeed without the spectre of fighting an existential war for the survival of the nation, for Fidesz that would be entirely novel, and it is unlikely to experiment with such a radical notion. Therefore, the real danger for Fidesz would be if the voters did not care about their Potemkin enemies anymore, but rather judged the party based on their policies and scandals – as it happened already in the last months of 2014 and in the beginning of 2015.

As to who this enemy will be, that is near impossible to guess. Sometimes Fidesz selects its targets based on the internal battles it wishes to fight, which is where multinational corporations came in handy, for example, when Fidesz needed more cash. Sometimes fate will deliver the enemy, as it did with the refugee crisis. Fidesz might also try to frame the debate with the gender issue (promoting family values and attacking liberals). The European Union (once again) is also a likely target, and in fact in the last few months we have witnessed plenty of attacks against the EU. Fidesz's party congress in December seemed to revolve entirely around this issue. In light of conflicts with the European Commission over the Paks expansion and other suspicious practices, there are probably going to be enough pretexts for suggesting that the EU is one of the chief enemies of

Hungarian democracy. It's the perfect target for a communication campaign, as it can't fight back at that level.

The successes of 2015 notwithstanding, this year is also a warning for Fidesz that its position is not as solid as it sometimes seems. Pervasive corruption is not going unnoticed by voters – not even by its own supporters, many of whom stayed at home in the two by-elections in early 2015, which Fidesz lost. With internal divisions – often conflicts over money and influence – also showing more frequently, Fidesz relies on a mix of overriding issues and stable economic growth to stabilise its high level of support. If either or both of these factors do not work out as they did this year, then Hungarian politics is going to become even uglier than it was until now.

For Jobbik, too, 2015 was a great lesson. Thanks in part to its successful strategy shift, the party was growing dynamically in the polls and reached substantial strength, culminating in its first ever single-member constituency victory in a by-election this spring. Its inability to break through that particular glass ceiling previously was rightly seen as the most significant impediment to its potential to become a governing party in Hungary. Several months later, Jobbik's strategy has run into another major impediment, however. As the party was moving towards the centre, Fidesz successfully flanked it from the right on the refugee issue, leaving Jobbik with levels of public support that are not significantly improved over its position during the national election in April 2014.

Going into 2016, the lesson for Jobbik is that moderation in and of itself is not enough to successfully challenge Fidesz. Especially in light of the fact that it does not view its left-wing rivals as a threat, the governing party is more than willing to counter Jobbik's incursion into mainstream politics by raising issues that shift public discourse to the far-right. That is not to say that Jobbik's new strategy has not been a success. The far-right party is increasingly treated as a normal competitor by most other parties and the media as well; this is a necessary but not a sufficient condition for a future electoral

victory. The exception would of course be a situation where Fidesz's credibility is undermined so radically that voters automatically switch to the next best alternative, giving the latter a victory by default. That was Fidesz's successful strategy before 2010, and in exceptional circumstances it can work. Jobbik is increasingly emerging as the "default" opposition, but it will take more than that to win in ordinary situations. The next two years will likely be about reinforcing Jobbik's mainstream position and finding issues, such as corruption for example, where Fidesz cannot offer persuasive and credible alternatives.

2015 was also a warning for the left, and if we measure warnings on an annual basis, it was the tenth in a row. The Hungarian left has used up more lives now than the proverbial cat and it will stay in the ring even after a boxer would have been counted out. But currently, its primary function in Hungarian political discourse is to serve as a foil: it helps Fidesz and Jobbik define what they reject and where they do not want Hungary to go. Neither of the leading parties consider their left-wing challengers as real threats. Moreover, what exacerbates this problem is that the strategy of the left is not in the hands of a single person or even a small group, as is the case with Fidesz or Jobbik. If the latter are going in the wrong direction or fail to persuade the public, organisationally speaking it is relatively easy for them to change their course. For the highly fragmented left, changing course would take a "summit" meeting that would make the global climate talks in Paris look easy by comparison. What is worse, unlike in the case of climate change, for the Hungarian left even the desired path is unclear. No one has a clear idea of what the left should do to reclaim its leading position in Hungarian politics.

Regardless of policy substance, which is immensely intricate on a left that comprises an ideologically disparate coalition ranging from disappointed conservatives to economic populists, the very fact of its internal divisions and bickering is obviously undermining the left's credibility with voters, who see the debates not as a sign of diversity but of fatal weakness and an inability to lead. Much like the foregoing years, 2016 will be about the left's various figures

jockeying for a position at the top of the pack. The hope is that over time, one party or person will emerge as strong enough – measured by polls – to take charge and subsume the rest. 2016 will not be the year when this happens. The most probable scenario is that this is a long-term project, and one without guarantee of success.

But the irony is that the policy problems that are becoming most relevant in Hungary are increasingly issues where the left should have a natural advantage. Inequality, poverty and lacking opportunities for the underprivileged are obviously huge challenges and visibly becoming worse thanks to Fidesz's policies. Fidesz does not care about these issues, neither in terms of communication nor in terms of policy. Jobbik is less obtuse on these matters, but

it lacks the policy expertise to actually propose relevant solutions and its interest is far from strong enough to make a major effort to change that. This would leave the left as the best-positioned bloc in Hungarian politics to use this issue to climb back into the public's graces. For the reasons outlined above, it has not been able to do so, and in fact its persistent weakness is one of the main reasons why the Fidesz government is allowed to get away with drastically exacerbating inequality. As long as there is no one to hold the government accountable, these problems will deepen. And if the left can't capitalise politically, then Jobbik will be in the best position to reap the political benefits of Fidesz's devastating social policies.

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