Analyses OSW

CENTRE FOR EASTERN STUDIES 22.10.2014 www.osw.waw.pl

Tensions between Hungary and the US

Andrzej Sadecki

On 17 October the US embassy in Budapest announced that a group of Hungarian citizens will be banned from entering the US. It later admitted that among these six people there are representatives of the state administration and that the ban has been introduced due to reliable information linking them to corruption. According to information leaked by the press, the ban applies to representatives of the National Tax and Customs Administration (NAV) and several prominent figures from the circles of the ruling party Fidesz. Peter Szijjarto, Hungary's new minister of Foreign Affairs and Trade, discussed this issue during his visit to Washington during which he met Victoria Nuland, the Assistant Secretary of State for European and Eurasian Affairs at the US Department of State, on 21 October. In her speech from 2 October Nuland clearly referred to Hungary when she talked about the contesting of liberal democracy, about nationalism and challenges to the freedom of speech. She thus elaborated on the reservations expressed by Barack Obama in his speech from 23 September, during which he talked about the pressure put on civil society institutions spanning "from Hungary to Egypt".

Commentary

- The US has resorted to measures which have not been seen in contacts with its allies, proving that there is a serious crisis in American-Hungarian relations. Over the past four years the US has been criticising the Viktor Orban government for limiting the prerogatives of independent institutions, infringing on the freedom of the press and imposing constraints on religious organisations. Nevertheless, the criticism from Washington has been overshadowed by the pressure from the EU and European capitals. The US position has hardened in recent weeks and an increasingly intensified interest in Hungarian affairs has been seen. It is likely that Orban's July speech has contributed to this since he announced Hungary's departure from liberal democracy, pointed to Chinese and Russian models and castigated non-governmental organisations for accepting support from abroad. Hungary's actions targeting civil society as well as co-operation between Hungary and Russia, particularly in the area of energy, are being met with increasing criticism from the US.
- Although the US has not revealed the reasons behind the ban it has imposed, it is most likely linked to the issue of Hungarian companies avoiding paying VAT in the foodstuff sector. American company Bunge, an important cooking oil producer in Hungary, has been complaining that this practice makes it impossible for it to be competitive on the

Hungarian market. For several months accusations have been appearing that NAV is favouring companies linked with the Fidesz business base. This was compounded by the media speculating that the proposal to resolve Bunge's problems in exchange for financial support given to a foundation with close ties with the ruling party had come from governmental circles.

- Hungary is eagerly displaying positive examples of co-operation (including Hungarian support for the TTIP and the US action in the Middle East) and has put US diplomatic activities down to its lack of knowledge of Hungary's specificity. This will not, though, be sufficient to defuse the serious crisis in Hungarian-American relations. The fact that the US has used such strict measures, also challenging Hungary's investment reliability, compels the Hungarian government to ask itself about the costs of the policy it has been pursuing.