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Putin in Budapest – overcoming isolation

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On 17 February, President Vladimir Putin paid a brief visit to Budapest. This was the first bilateral visit he had made to the European Union since June 2014. Russia has shown that it is able, regardless of sanctions, to build close co-operation with those EU member states which are interested in it. In this regard, the visit in Budapest was aimed at highlighting the superficial nature of the EU's common foreign policy and the weakness of EU energy policy. The Hungarian government made assurances that this visit's overriding goal was to sign a new gas contract. However, this contract was not signed. Besides the fact that it seems Russia has achieved all its political goals linked to this visit, the initial nature of the arrangements will force Hungary to take part in further negotiations and to be submissive to Russia, including by promoting Russian interests in the EU.

The Orban–Putin meeting

The visit failed to bring any essential solutions, but it did confirm the existence of close co-operation between Hungary and Russia, and – despite it being a working visit – it was of great political significance due to it being Putin's first visit to the EU since his trip to Austria last year. Five agreements of minor significance were signed. They concerned, for example, staff of the Hungarian nuclear power plant receiving training in Russia, and the opening of a Hungarian consulate in Kazan. The parties made preliminary arrangements concerning gas supplies. However, as Prime Minister Orban has admitted, technical issues remain to be agreed. Gazprom is expected to waive the 'take-or-pay' clause. Hungary will thus have at its disposal the gas it has not used as part of the contract which will expire at the end of 2015. The quantity in question is around 22 billion m3; and this might be enough to satisfy Hungary's demand for natural gas over the next three to five years.

Hungary and Russia have declared their willingness to co-operate in developing new solutions following the failure of the South Stream gas pipeline project. These include, for example, possibilities to transport Russian gas through Turkey, Greece, Macedonia and Serbia to Hungary (Orban had discussed this option a day earlier with the Serbian prime minister, Aleksandar Vucic). Hungary has announced that it will take part in any common project with Russia that will enable supplies of Russian gas via the southern route. Putin has said that Gazprom is 'in principle' interested in storing larger volumes of natural gas in Hungary.

At a joint press conference, Orban's statement concerning the Ukrainian-Russian conflict was limited to the declaration that Hungary wants peace and appeals to Russia to use all measures to bring it back. He recognised that Putin's visit was an honour for Hungary, and

that isolating Russia was unwise. He also appealed for EU-Russia relations to be improved as soon as possible, adding that co-operation with Russia is indispensable to ensure energy security to Europe and to improve its competitiveness. He also praised the transformation which took place in Russia under Putin's rule, and emphasised that Russia had always complied with its contractual obligations in economic and energy relations with Hungary. He went on, though, to state that Hungary would not dispute the European Union's common stance on Russia.

Russia's goals

From the Kremlin's point of view, Putin's visit to Budapest was to serve both strategic goals (especially those concerning the energy sector) and temporary goals dictated by the logic of its conflict with Ukraine. As regards the energy sector, Russia wants to build a coalition of states that would be interested in importing gas from a gas hub on the Turkish-Greek border which it is planning to build in co-operation with Turkey. This plan was announced at the time of Putin's visit to Ankara on 2 December 2014 as a new solution after Russia had declared its withdrawal from the South Stream project. Hungary, along with Greece and Serbia, has already declared it is keen to join the new project.

By offering Hungary a perspective of participation in lucrative economic projects, Moscow wants to reinforce a group of states within the European Union that would be ready to influence the EU's policy so that it becomes more compliant with Moscow's interests, i.e. countries which are prepared to develop economic co-operation with Russia regardless of any political or ideological differences. Russia also wants its bilateral economic relations with EU member states to be restricted as little as possible by EU institutions and regulations. Moscow has also demonstrated on this occasion that any attempts to launch a policy of economic isolation and political ostracism with regard to it are doomed to failure, even inside the European Union itself.

The visit was also intended to demonstrate Russia's support for Prime Minister Orban as an ideological ally, whose rhetoric of protecting national interests and sovereignty perfectly resonates with the theses present in Russian propaganda. This signifies Russia's growing ambition to strengthen its influence, especially in Central Europe, as a power ready to support those EU member states which are in dispute with Brussels, Washington or Berlin. The support would be above all based on economic contacts, especially in the energy sector. The example of Hungary proves that Moscow very cleverly doses the economic benefits, taking care that its partner remains in the position of a supplicant seeking favours from the more powerful partner. This is probably the reason why the new gas supply contract has not been signed even though oral arrangements concerning the gas sector announced during the visit were beneficial for Hungary.

Hungary's goals

Regardless of Russia's aggressive behaviour in Hungary's neighbourhood and the growing tension between the European Union and Moscow, the Orban government has consistently brought Hungary's energy co-operation closer to Russia. The development of the Hungarian nuclear power plant in Paks, the largest investment in Hungary since 1989, is the main

project at present. It was announced at the time of Orban's visit to Moscow in January 2014 that the construction of two blocks would be entrusted to Russia's Rosatom without holding a tender and that the investment would be 80% financed by a loan granted by Russia's state-controlled Vnesheconombank. Contracts concerning the construction of reactors, the operation of the power plant and supplies of nuclear fuel were signed on 9 December 2014. Declarations made by the CEO of Rosatom, who accompanied Putin on the visit, were aimed at dispelling the fears about the future of the project which had appeared in Hungary in connection with Russia's deteriorating financial situation.

The failure of the South Stream project has dealt a blow to the Orban-led government, who had supported the project until the end and was attempting to push through solutions to exclude this project from EU regulations. However, Hungary is still interested in projects that would offer it an alternative route of Russian gas supplies. Orban has also continued his stance that in order to guarantee secure gas supplies to Hungary, the politically unstable territory of Ukraine must be bypassed.

Hungary has not managed to bring about the gas agreement that was the declared goal of the Orban-Putin talks. Russian gas import prices have a special meaning in Orban's policy. Fidesz owes its electoral success of 2014 to a great extent to the reduction of energy prices for households. Given the still difficult economic situation in Hungary, energy prices were used as the key slogan in the party's election campaign. Orban argues that establishing closer contacts with Russia is necessary above all to guarantee supplies of cheap gas to Hungarian families.

Russia in Hungary's foreign policy

Hungary has made attempts to enhance its co-operation with Russia, without forgoing the economic benefits which come with EU membership or the security umbrella offered by NATO. Given the escalating Ukrainian-Russian conflict and the constantly growing tension in relations between the EU and Russia, Hungary's rapprochement with Russia is giving rise to more and more concern among Hungary's allies. Over the past few months, Hungarian diplomacy has been trying to reduce this concern, arguing that co-operation with Russia is nothing but business. Prime Minister Orban has also declared that Hungary is a loyal member state of the EU and NATO, and that it will not undermine their common stance, although it does not always agree with them. Hungary has also been making efforts to improve relations with Germany. Orban has announced that Berlin is the 'compass' of Hungarian foreign policy. Most likely, he hopes that by promoting the policy of dialogue with Russia, he will be seen in Berlin as support for Chancellor Merkel in her efforts to find a peaceful solution to the Russian-Ukrainian conflict.

To soften the impression of Hungary being pro-Russian, Hungarian diplomacy was trying to place Putin's visit in the setting of meetings with other allies. Orban's visit to Brussels on 22 January (he met with Donald Tusk, Jean-Claude Juncker and Joseph Daul) and the intensive efforts to convince Chancellor Merkel to visit Budapest (she visited Hungary on 2 February) fitted in with these endeavours. Three days before Putin's visit, Orban went to Kyiv. He met with President Petro Poroshenko and praised the way Ukraine respected the Hungarian minority's rights – something he had strongly criticised Ukraine for until recently. Orban has also asked the Polish prime minister, Ewa Kopacz, for a meeting on the occasion of his

planned working visit at the economic forum in Warsaw on 19 February.

How Hungarians view the rapprochement with Russia

Although Merkel's and then Putin's visit have been presented by Orban for domestic policy needs as proof of Hungary's important international position, the Russian president's visit is problematic due to the fact that the greater part of the Hungarian public share a sceptical approach towards Russia. One day before Putin's visit, thousands of people took to the streets chanting the slogan "Putin – niet, Europe – yes". Putin laid wreaths at the monument of Soviet soldiers who died in Hungary during World War II. There was also strong controversy concerning the restoration of a monument to Soviet soldiers who were killed in 1956 while suppressing the 'counterrevolution' in Hungary as part of a cemetery's renovation.

Nevertheless, the perception of Russia is changing in Hungary. Although the survey conducted by Medián in December 2014 showed that 53% of respondents want closer relations with the USA, and 25% with Russia, the share of supporters of closer relations with Russia is the greatest among the right-leaning electorate (39% for Fidesz and 27% for Jobbik). Although Fidesz originates from the anti-Communist opposition, part of its supporters are very receptive to the Kremlin's national-conservative and anti-Western rhetoric. A significant section of the media which are favourably disposed to the ruling party, Fidesz, are pro-Russian. However, a part of the elite inside Fidesz is critical about establishing closer bonds with Russia. Zsolt Nemeth, the head of the parliamentary commission for foreign affairs representing Fidesz, has stated recently that the government should adopt a policy with regard to Russia which will leave it "[able to] look into the eyes of the heroes of 1956". The efforts to build closer relations with Russia have also been criticised by the influential businessman Lajos Simicska, the founder of Fidesz's financial and media base, who has been in conflict with Orban for a few months. The Hungarian media are speculating that the benefits of energy co-operation with Russia are to helping a reshuffle in Fidesz's business base to be carried out and to curb Simicska's influence.

Views for the future

Closer energy co-operation with Russia will make Hungary politically more dependent on Moscow. It will also reduce Hungary's determination to implement projects aimed at diversifying its energy sources. Although Orban initially supported the energy union project, he has become critical about it recently. The preliminary nature of the recent arrangements will help Russia to maintain Hungary's indecision or even reluctance to reinforce the EU's common policies. Since Russia's behaviour is unpredictable and its economic situation is deteriorating, the common energy project may fail to bring the expected benefits. The trust of Hungary's allies, which has worn thin as a result of Hungary's ostentatious rapprochement with Russia, in the crucial period when they are trying to stop the Russian aggression in Ukraine, may be difficult to rebuild.

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