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Another Hungarian veto aimed at Ukraine

Ilona Gizińska

According to press reports, the Hungarian government is blocking the payment to EU member states of the next tranche (€500 million) of funding from the European Peace Facility (EPF), which reimburses the military support provided to Kyiv by EU countries. On 17 May, these reports were confirmed by the Hungarian foreign minister Péter Szijjártó, who publicly announced that Budapest would not support either a further refund of military support to Ukraine from the EPF or the EU's eleventh package of sanctions against Russia. In addition to arguing that the EPF's funds should also be directed to other regions (including the Western Balkans and Africa), he justified his opposition in terms of Kyiv's inclusion of the Hungarian OTP bank on the list of international war sponsors. As he stressed, "as long as the OTP is on this list, Hungary cannot agree to decisions that would require the European Union and its member states to make further economic and financial sacrifices for Ukraine".

Commentary

- In recent weeks, Budapest's policy of obstructing EU support for Kyiv has intensified. Although Hungary has not provided military aid to Ukraine since the beginning of the war and has criticised the EU's sanctions against Russia, it has previously never blocked either the EPF-implemented reimbursement to member states for their military support to Ukraine, the EU's macro-financial assistance to the country (although it threatened to veto it last December), or any EU sanctions package. The current moves represent another attempt to veto Ukraine-related issues in order to put pressure on EU partners regarding other issues (including the blocked EU funds for Hungary); it is also an instrument for Hungary to put pressure on Kyiv in the recently escalating disputes between the two governments. These moves at the very least delay the EU's implementation of its decisions, and that benefits Russia, with which Hungary – as the only country in the region – still maintains close relations (see '*Szijjártó in Moscow: Hungary maintains its energy cooperation with Russia*').
- In early May, Ukraine's National Agency for the Prevention of Corruption (NAZK) added Hungary's OTP bank to its list of international companies sponsoring the war (so far this list includes 23 entities, including Raiffeisen Bank, Leroy Merlin and Metro). OTP is the largest commercial bank in Hungary, and also operates in 11 countries in Central and Eastern Europe. The addition of OTP to the list came in response to the institution's continued operations in the Russian Federation, and its recognition in its documents that the so-called Donetsk and Lugansk People's Republics belong to Russia. In justifying its decision, NAZK also cites the fact that Russian branches of the OTP provide Russian

citizens called up for military service as part of mobilisation and their families with the opportunity to apply for deferred repayments of loans. According to the Hungarian side, NAZK acted unjustifiably as no international regulations had been violated; Budapest also believes that the importance of the OTP in the Russian banking services market is marginal, as its share therein is only 0.17% (compared to 2.9% in Ukraine). Being listed as a sponsor of the war, however, does not carry any specific consequences (other than to the bank's image). Hungary's firm reaction therefore suggests that this is not the only reason why it is blocking the aid to Ukraine.

- The obstructive actions of Viktor Orbán's government coincided with reports in the *Washington Post* (based on leaked documents) that President Volodymyr Zelensky, in a conversation with Ukrainian deputy prime minister Yulia Svyrydenko, allegedly suggested blowing up the Druzhba oil pipeline. Its southern line delivers Russian oil via Ukraine to Hungary and other countries (in 2022 it accounted for about 80% of its imports to that country). Hungary does have an alternative route for oil deliveries in the form of the Adria pipeline, which provides access to a Croatian oil terminal (although some of the refineries owned by MOL would need upgrading). However, Hungary plans to keep importing Russian oil imports via Druzhba, and is even considering extending a 128-kilometre branch of it to Serbia. Pro-government media in Hungary has given wide coverage to press reports about the alleged plan to damage the Druzhba pipeline. These reports were also discussed during a meeting of the council of ministers, and on 16 May the Index website published a statement from an anonymous government member who said that it was the threat to blow up this oil pipeline that contributed to Hungary blocking the EPF funds.
- The situation of the roughly 100,000-strong Hungarian minority living in the Transcarpathian region remains a contentious issue in Budapest's relations with Kyiv. Talks are currently underway about the future of more than 100 schools where Hungarian is taught: Budapest believes that recent changes in Ukrainian law will lead to their closure from the next scholar year. Minister Szijjártó has announced that Budapest will block Ukraine's accession to the European Union if the Hungarians living in Transcarpathia do not recover their rights to education in their native language. Budapest's stance could hinder the expected start of Ukraine's accession negotiations with the EU this year. Hungary's demands that minority rights be restored to a state prior to the entry into force of the laws on education in minority languages (2016) and on the state language (2018) have also been cited as justification for Budapest's previous blocking of meetings of the NATO-Ukraine Commission.