The Kremlin’s Influence in Hungary

Are Russian Vested Interests Wearing Hungarian National Colors?

Dániel Hegedűs

Hungary under Viktor Orbán and the Fidesz party has become one of the EU’s most controversial member states. Although various factors brought about this development, the pro-Russian stance of the country’s key political actors has contributed significantly to its European partners’ concerns. Hungary’s gradual turn to Russia can be traced back to November 2010, when a newly elected Prime Minister Orbán made his first visit to Moscow. It has taken on new dimensions since the Ukraine crisis, with Hungary’s special ties to the Russian Federation arousing particular discomfort within the Western alliance. Several aspects of Russian influence in Hungary, especially strong ideological and political links between Moscow and the Hungarian far right, have been analyzed intensively by investigative journalists and think tanks.¹ This paper undertakes a comprehensive review of several heretofore overlooked dimensions of the Russian penetration of Hungarian politics and concludes that the pro-Russian stance is spearheaded by the political and business elite. As such, this stance lacks fundamental popular support and runs at least partially counter to public opinion. Such Russian measures as propaganda and “media warfare” to influence broader public opinion therefore have rather limited impact in Hungary. For their part, well entrenched national players like Fidesz and the right-wing Jobbik party are crucial in channeling and implementing Russian interests.

Official Hungarian-Russian Relations

Hungary’s economic and trade relations with Russia are characterized by imbalance and dominated by energy imports. In 2014 Russian imports accounted for 6.89 percent of total imports to Hungary, with crude oil, natural gas, fuel, and lubricants representing 90 percent of that volume. The difference between bilateral export and import positions is noteworthy. Russia is Hungary’s third most important trading partner in terms of imports but only its thirteenth most important partner for exports, receiving just 2.49 percent of Hungarian exports.² Significantly, EU countries make up the nine most important destinations for Hungarian exports, with Germany – Hungary’s most important trading partner – receiving approximately a quarter of Hungarian exports.
Budapest proclaimed its “Eastern Opening” strategy in 2011 with the aim of enhancing economic cooperation with countries like China, Russia, Turkey, Saudi Arabia, and Azerbaijan and developing new markets for Hungarian exports. Although it was supported by intensive, high-level diplomatic efforts, the economic outcome of the policy has remained rather limited, both generally and particularly in the case of Russia. After an initial period of growth in 2010, Hungarian exports to Russia started to decline as early as 2011, long before the Ukraine crisis and subsequent establishment of EU sanctions against Moscow. This negative trend gained further momentum in 2014 with the mutual sanction regimes, which led Hungarian exports to Russia to shrink by 18 percent.

These rather modest international trade figures do not reflect the depth of Hungary’s energy dependence on Moscow. Some 89 percent of crude oil and 57 percent of the natural gas consumed in Hungary come from Russia. Figures on the import of Russian gas can vary by up to 70–75 percent according to different sources. It is difficult to determine the precise value, as it mainly depends on ad-hoc suppliers operating on the spot market for natural gas. However, the natural gas supplied to Hungary via the Baumgarten Gas Hub and the Hungarian-Austrian Gas Interconnector (HAG) – with negligible exceptions and independent of the re-seller – is of Russian origin.

The Hungarian government expressed its support for the South Stream gas pipeline on many occasions and was hard hit when Russia unilaterally suspended the project in December 2014. Nevertheless, compared to other aspects of its energy policy, the Hungarian “grand strategy” of gas supply security does not serve Russian interests. Because of the vulnerability of the Brotherhood Pipeline to any Russia-Ukraine gas conflict, Budapest’s main guideline has been to participate in all regional projects that aim for source and route diversification.

Although the second Orbán administration, which began in 2010, preferred South Stream over the Nabucco Pipeline, Hungary partnered with both projects. Following the collapse of South Stream, Budapest pursued the very same strategy. On the one hand, Hungary contributed to bringing together likeminded countries to realize the Tesla natural gas pipeline. On the other, Budapest urgently negotiated its participation in a rival project, East Ring, which had originally been envisaged without Hungary’s inclusion.

Although there was speculation when President Vladimir Putin visited Budapest in February 2015 about how the Kremlin could manipulate Hungary through gas prices to undermine the EU’s sanctions policy, no worst-case scenario ultimately materialized. At that time, there was a possibility that Gazprom and Budapest would forge a new, long-term gas supply contract, prolonging and assuring Russian influence over Hungary. Instead, the current contract was extended, enabling Hungary to make flexible use of some 22 billion cubic meters of natural gas contracted but not used in the previous period.

It is possible to interpret the Hungarian-Russian gas deal and its assurance of a rather fair gas supply for Hungary as a reward for political services rendered on the European stage. Had Hungary vetoed EU sanctions against Russia at the European Council meeting in March 2015, it would have isolated itself severely. At the same time, even the possibility that the country would make such a move was an effective way of spreading instability in the EU. Certainly, it underlined the presence of strong anti-sanction national positions within the EU. This, combined with the opportunity to demonstrate Russia’s diplomatic presence and political acceptance in an EU member state for the first time since the outbreak of the Ukraine crisis, was a big favor to Moscow.

Putin’s February 2015 visit to Budapest was not the only occasion during which Hungary was accused of playing to Russia’s advantage. In May 2014, in the speech he made after his reelection, Prime Minister Orbán claimed territorial autonomy for Transcarpathia, the western Ukrainian region historically inhabited by a substantial Hungarian minority. The timing of this claim coincided with the escalation of the Ukraine crisis, and his statement was interpreted as seriously undermining both Ukraine’s stability and Western political positions more generally. The speech introduced a freeze in Polish-Hungarian relations that peaked in March 2015, contributed to a decline in the importance of the Visegrad Group, and led to Hungary’s unprecedented diplomatic isolation from its immediate regional neighbor.

Despite its growing isolation, however, the Orbán administration successfully avoided a major confrontation with its EU and NATO allies. It did so with the help of a “peacock dance”: two steps forward, one step back. Ultimately Hungary backed both the EU’s sanctions against Russia and the NATO commitments outlined at the September 2014 summit in Cardiff. At the same time, however, the country suspended the reverse-flow natural gas supply to Ukraine between September 25, 2014 and January 10, 2015.

Furthermore, Orbán has personally issued several pro-Russian statements. One of these was the controversial speech he delivered in Băile Tușnad in July 2014, during which he announced that his government was striving to
build an “illiberal state.” The speech made international headlines. Orbán has also repeatedly questioned the rationale of the EU sanctions against Russia.  

**At Odds: Government Rhetoric and the Public’s Attitude toward Russia**

For the most part, the Hungarian government’s official measures balance its obligations to Western alliance structures with a pragmatic policy toward Russia. At the same time, Orbán’s pro-Russian rhetoric has its roots in the “national freedom fight against the EU.” He is outspoken in his admiration for Putin as a strong national leader who stands up to “corrupt” liberal rules and advocates “traditional” social values.

Orbán expounded the value system he shares with the Russian elite in his Baile Tusnad speech. Here he described what he called a crisis of “liberal democracy” and praised the “illiberal state” as a new and successful form of political organization to point the way out of crisis. He spoke admiringly of “systems that are not Western, not liberal, not liberal democracies, maybe not even democracies, and yet making nations successful,” specifically mentioning Singapore, China, India, Turkey, and Russia. He went on to say: “We are searching for (and we are doing our best to find ways of parting with Western European dogmas, making ourselves independent from them) the form of organizing a community, that is capable of making us competitive in this great world-race.”

Although the prime minister’s rhetorical toolkit varies according to political circumstances, its basic logic does not fundamentally differ from the rhetoric of right-wing Euroskeptic and populist parties in the EU. These include the Front National in France and Jobbik, Hungary’s own far-right party. Both Orbán and the leaders of these parties constantly emphasize the weakness of the EU and lay special blame on its liberal values.

Two important aspects have to be underlined when considering the government’s pro-Russian political discourse within Hungary. For one thing, this discourse satisfies no demand on the part of the general public, which hardly harbors pro-Russian sentiment. For another, it does little to garner significant political popularity. Although the political left was straightforward in taking a pro-Western, pro-European, and pro-transatlantic stance in response to the Orbán government’s rapprochement with Moscow since 2010, the question is still open of why the two parties most critical of communism – Jobbik and, particularly, Fidesz – have chosen the pro-Russian path.

While the left side of the political spectrum has been straightforward in taking a pro-Western, pro-European, and pro-transatlantic stance in response to the Orbán government’s rapprochement with Moscow since 2010, the question is still open of why the two parties most critical of communism – Jobbik and, particularly, Fidesz – have chosen the pro-Russian path.

Whatever pro-Russian sentiment exists among Fidesz supporters (roughly 39 percent, according to the above table) is most likely connected to party-controlled public broadcasting and private media outlets. As for Jobbik, only 29 percent of its voters in fact back the party’s foreign policy orientation. This lack of overwhelming support suggests that other factors – particularly past financing from Russia – contribute to convincing the party’s
leaders to stay on its pro-Russian political course. One can, however, identify a pattern by which the Hungarian elite pursues pro-Russian policies without the fundamental support of the rest of the population.

**Networks of Corruption: The Fidesz Party’s Links to Russia**

It is inevitable that Hungary maintain a certain level of practical cooperation with Russia. Securing a stable and sustainable natural gas supply for a reasonable price and developing new markets in Russia for Hungarian exports are fundamental national interests that should be pursued by any Hungarian government. It is therefore difficult to draw a clear distinction between legitimate pursuit of national interests and behavior that raises the suspicion of Russian influence or corruption. Politically, it would be highly damaging and methodologically unacceptable to label all the constructive steps Hungary has taken toward Russia as merely serving Russian interests. At the same time, when analysis or even official governmental communication fail to reveal how certain measures serve the national interest and conform to EU and NATO commitments, the neutral observer has a right to be suspicious.

Three business deals in particular – the Paks Nuclear Power Plant deal, the MET gas supply scheme, and the modernization of the subway cars on the Budapest Underground Line 3 – offer examples of high-level political corruption linked to Russia at the expense of the Hungarian state budget. Not only are they making it possible for private individuals connected to the Fidesz party to amass enormous fortunes, but these deals are also increasing Hungarian dependence on Russia.

**The Paks Nuclear Power Plant deal**

Hungary commissioned its Paks nuclear power plant with four 500 MW VVER-440/V213 blocks from 1982 to 1987. The plant currently covers 53.6 percent of Hungary’s gross electricity production. In 2005, the Hungarian parliament decided to extend the plant’s operation; the four old blocks were to be overhauled between 2012 and 2017 and would be definitely decommissioned between 2032 and 2037. The country’s long-term energy policy strategy formulates a “nuclear-green-coal” scenario through 2030 to ensure a sustainable and secure energy supply. This scenario envisages the continuous maintenance of the Paks nuclear power plant as a basic power supplier. In 2009, the parliament voted with an overwhelming majority to begin preparatory work on a possible future extension. It was against this background that the second Orbán administration signed an agreement in January 2014 with the Russian state nuclear energy corporation, Rosatom, on the construction of two VVER-1200 reactor blocks with 1200 megawatt gross capacity. The step was still surprising, however. Rather than place the issue on the agenda in a timely way for public discussion, the government took its decision without any announcement and signed the agreement. The most controversial point of the investment – apart from the political debate surrounding the future of nuclear energy – was the fundamental lack of public information. Important technical details, price schemes, and calculations of profitability were not made available, as nearly all important points of the agreement were strictly classified. According to the international agreement ratified by the Hungarian parliament, 80 percent of the investment will be financed by a Russian state loan of 10 billion euros over thirty years.

Although the agreement with Rosatom may not necessarily be detrimental to the Hungarian state, important facts show that it is not really favorable. The agreement contains no strict guidelines for implementing the investment, nor does it set a deadline for when the power plant will become operational. It does not even estimate the approximate final cost. In contrast, the plan for repaying the loan is stipulated in detail. Repayment will start in 2025 regardless of mitigating circumstances, even if the investment is not complete and the new blocks are not operational. Furthermore, the agreement creates a serious financial burden for future governments, as the credit rates are set to increase during the term of the contract (from 3.95 percent in 2025 to 4.95 percent in the last phase of repayment). In short, the Paks nuclear deal establishes both a strong financial obligation for Hungary and prolongs the country’s complete dependency on nuclear technology from Russia by approximately fifty years – until the new blocks are decommissioned around 2080.

The biggest question regarding the entire investment’s viability relates to financial return and profitability. Various think tanks and NGOs active in the field of energy policy have noted that the return on the investment is questionable in light of the estimated final cost, long-term price forecasts for the European electricity market, and possible future technological developments in renewable energy, while the risks are borne solely by Hungarian taxpayers. Faced with extensive criticism, the government failed to provide any credible calculations or impact studies in support of the official position. Nor could it prove the financial sustainability of the investment. On the contrary, the government has rejected any fact-based political dialogue on the issue and maintains – indeed,
even increases – the secrecy of crucial information related to the investment, although according to some estimates the corruption risk – first and foremost through overpricing – could be as high as 13–16 percent of the total investment. With this in mind, it is worth asking whether the deal really serves the Hungarian national interest, for it undoubtedly increases Hungary’s energy and financial dependence on Russia while failing to contribute to the country’s financially sustainable energy supply.

In March 2015 the European Commission criticized Rosatom’s monopoly on the supply of nuclear fuel cells, claiming it was incompatible with European competition rules. After some consideration, the European Atomic Energy Community (Euroatom) finally approved the original technological and fuel supply construction in April 2015. At the same time, the investment in its current form is still far from being fully compatible with European law, despite all legal maneuvers and Euroatom’s approval. The European Commission signaled that it was investigating further questions of incompatibility with European competition law and the regulation of state subsidies. Finally, the Commission ruled the Paks deal incompatible with EU public procurement rules and initiated an infringement procedure against Hungary in November 2015. In spite of this, Prime Minister Orbán emphasized in a radio interview the next day that the Paks investment would be implemented according to the original plans.

The real construction work on the power plant has already been postponed until 2018, and the whole project is characterized by significant uncertainty. All of these legal and financial risks could have been avoided had the public procurement procedure been more transparent. Instead, the Hungarian government preferred an opaque deal with high risks of corruption, contributing to growing Russian influence in the country.

The MET gas trading scheme

MET is an offshore energy company headquartered in Switzerland. It has become famous in the past years due to a highly controversial international natural gas trading scheme, which raised the suspicion of state-led corruption. The Hungarian energy company MOL owns 40 percent of the company, while the rest is shared among four private individuals: Benjámin Lakatos (24.67 percent), György Nagy (12.665 percent), István Garancsi (10 percent), and the Russian businessman Ilya Trubnikov (12.665 percent). Of these, Garancsi has strong personal links to Viktor Orbán and has served as the prime minister’s special envoy since 2011. It is alleged that Orbán’s frequent visits to Zurich are connected to the company’s activities. The Hungarian ambassador in Switzerland, István Nagy, was repeatedly accused of acting as a MET lobbyist under the cover of his office.

The business scheme, which operated between 2011 and June 2015, can be described as follows. In 2011 the state-owned Hungarian Electricity Company (MVM) received the nearly exclusive use of the Hungarian-Austrian gas interconnector (HAG pipeline) to import natural gas from the spot markets to Hungary through one of its own small subsidiaries, MVMP. This de facto monopoly was granted by ministerial decree in the name of replacing Hungary’s strategic reserves of natural gas. MVM/MVMP did not therefore have to compete for the pipeline’s usage on a tender but instead obtained a monopoly, which was extended from year to year. Instead of capitalizing on this position for its own benefit, MVM/MVMP signed a contract with two MET subsidiaries and functioned purely as a gas transporter for the private company. MET bought the cheap natural gas on the European spot market, sold it at the Austrian-Hungarian border to MVMP, and rebought it on the Hungarian side paying an additional 2.5 forints (approximately 8 eurocents) per cubic meter in transportation costs on the HAG pipeline for the MVMP. In 2012 this imported gas was cheaper than the natural gas imported from Gazprom according to the long-term fixed contract – by approximately 10 eurocents per cubic meter. It could be sold for the same price on the Hungarian gas market, however.

In a nutshell, the Hungarian government practically outsourced monopolistic access to the Hungarian-Austrian gas pipeline to an offshore company. In 2012 this arrangement generated a loss of half a billion forints (ca. 1.6 million euros at current exchange rates) for the gas trading branch of MVM, while MET was able to pay its shareholders 55 billion forints (ca. 177.4 million euros at current exchange rates). Between 2011 and 2015 MET delivered 19.6 billion cubic meters of natural gas to the Hungarian gas market according to this scheme and could establish itself as the fourth biggest player in the Hungarian energy branch, acquiring important assets. MVM, formerly a major contributor to the Hungarian state budget, is now a company with consecutive losses. Rather, it is subsidized by the annual state budgets. While MET is surely not the only factor contributing to MVM’s financial decline, it undoubtedly contributed to its red figures. The income garnered by MET could have enriched both MVM as well as the Hungarian state budget had the Hungarian government not outsourced it to a network of allied oligarchs.
What role did Russia play in the MET saga? The scheme could quite simply not have functioned without Gazprom's permission and the Kremlin's implicit consent, since the natural gas in the Austrian Baumgarten gas hub is mostly of Russian origin and since Gazprom tacitly controls resales on the spot market. From an external point of view, the MET construction looks very much like a corruption scheme by which the Kremlin rewards a very cooperative national government by granting access to cheap natural gas. But it neither delivers cheaper natural gas to Hungarian consumers nor enriches state coffers. The real fortune in this business is made at the expense of Hungarian citizens.

Hungarian taxpayers not only contribute to the enrichment of Hungarian oligarchs but to the fortune of a Russian one as well: MET co-owner Ilya Trubnikov. Trubnikov's 12.665 percent share of the company serves first and foremost the aim of business control, but parallel to this enables income to flow back to Russia through his offshore company Small Valley Investments Ltd., which is registered in the Virgin Islands.

Moreover, with MET, Moscow had and continues to have the power to apply enormous political pressure on Orbán's government at any time. When the scheme was operating, the Kremlin could have influenced Budapest with the threat of suspending access to cheap gas. A second, more serious, effect should be considered as well: the potential for blackmail. Any future government involving Orbán is vulnerable to the threat of whistleblowing. The publication of tangible evidence of state-led corruption on this scale could undermine the stability of any Hungarian government and any future prime minister implicated in the scandal. Although the MET scheme was suspended in June 2015, its potential future political effects should not be underestimated.

The project to modernize the M3 line of the Budapest Metro

The public tender to overhaul the subway cars of Line 3 of the Budapest metro provides a very current example of high-level corruption in Hungary that relates to Russia. In July 2015 the Budapest Public Transport Company excluded the Estonian company Skinest Rail from the bidding process. This left as the only bidder the Russian company Metrovagonmash, which soon won the 69-billion-forint deal (ca. 222.5 million euros). The decision was heavily criticized both by the Hungarian public and by professional NGOs, as the Estonian company had offered a more technologically advanced modernization package for a lower price (60 billion forints, or 193.5 million euros). It also offered a longer maintenance guarantee cycle (30 years, compared to the Russian offer of 25). Independent experts deemed the reasons given for Skinest Rail's exclusion to be technologically irrelevant. Although the Estonian company requested legal remedy by the European Commission, the legal base for an EC action is questionable, as the tender does not include financing from European funds. It is also questionable whether the EC is ready to use other projects as leverage to put the Hungarian government back on the right track.³⁹

The controversy surrounding the metro tender reflects concern in Hungary that Russian business is corrupting Hungarian politics, adding to the complexity of interest links between the two regimes and their respective oligarchies. After Putin's state visit, one could see Budapest subtly distancing itself from Moscow between March and June 2015, engaging in a sort of counterbalancing behavior. Orbán's government emphasized that the country's foreign policy fully conformed to its EU and NATO commitments, and rhetorically, it appeared to submit to German leadership in Europe.⁴⁰

Certainly, this shift in behavior and rhetoric was largely a response to the harsh criticism of important Western partners. But it was also connected to an important realization on the part of the Hungarian leadership: that Moscow cannot deliver its economic promises. This was underlined by the fact that Russian sanctions on EU agricultural imports were ultimately not eased for Hungarian products, contrary to previous pledges coming from the Russian capital.⁴¹ The award of the tender for the Budapest metro line to Metrovagonmash shows, however, that corruption led by the Hungarian state is potentially of mutual interest to both Russian and Hungarian sides. It also shows that corruption runs smoothly even in times when big politics cannot deliver on mutual promises or even tries to relativize the symbolic importance of the Hungarian-Russian partnership.

Each of these examples of large-scale, highly opaque business projects illustrates Fidesz's strong ties to various political and business actors in mainstream Russian politics. Such projects carry substantial risks of corruption. Although Orbán's ideological proximity to Putin's Russia is not negligible – one need only recall the “illiberalism speech” he delivered at Baile Tusnad – this is not the determining factor. Certainly, official Hungarian positions are more marked by flexibility and fluidity than by ideological rigidity.

In contrast, the strong ties connecting the large-scale Hungarian business projects to Russia allow the politically organized Hungarian oligarchy access to significant...
Although the Fidesz party at first glance shares some common characteristics with Hungary’s extreme right-wing party, Jobbik, the fundamental patterns of Russian influence are qualitatively different with the latter. The two crucial factors here are ideological proximity and active measures on the part of Russian intelligence services to influence the party directly. Although there is also suspicion of past Russian financing of the party, the extent of economic and financial links is not necessarily on a scale comparable to Fidesz.

Although Jobbik is widely known as one of the most harshly anti-EU parties on the continent, a considerable number of its voters – 35 percent – do not in fact support Hungary’s exit from the EU, and a relative majority of the voters support the country’s Western orientation.

The party’s fundamental position toward the EU altered with time, partly in response to voters’ positions and partly as a consequence of the party’s mainstreaming strategy. It is important to compare this development to the party’s turn toward Russia. Although a smaller portion of party voters support EU membership than they favor the country’s basic Western orientation (particularly Hungary’s alliance with the US), Jobbik’s political line vis-à-vis the EU has softened in recent years, as Jobbik has sought to win more voters by presenting itself as a more moderate, mainstream people’s party. At the same time, the party’s foreign policy has simultaneously become more and more pro-Russian; here it follows neither the above-mentioned mainstreaming pattern nor the pro-US attitudes of its voters and in fact runs against these factors. The real motivations for the party’s Russian orientation must therefore be sought elsewhere.

Jobbik was founded in 2003 as a right-wing “national-radical” party, harshly anti-communist, and appealing primarily to younger voters. Until 2009 it received no public funding. It won its first major political successes at the 2009 European parliamentary elections and in the 2010 Hungarian national elections. Currently Jobbik is Hungary’s second biggest party. Up to 2008, Jobbik’s leaders focused mostly on establishing party structure and emphasizing popular domestic topics like the Roma issue. Party documents contain little evidence of when precisely the pivot to Russia took place. According to reports on the website Kuruc.info (the party’s unofficial online newspaper), a shift in the party’s foreign policy occurred at the turn of 2007–08. While in 2007 the portal clearly showed anti-Russian orientation and condemned Russia in the Estonian-Russian conflict, it became predominantly pro-Russian in its reports on the 2008 Georgian-Russian war.

This shift coincided with the appearance and activities of a unique person in the party: Béla Kovács.

Kovács (b. 1960) joined Jobbik in 2005, founded the party’s foreign affairs committee that year, and continues to hold the committee’s chairmanship. He graduated in 1986 from the Soviet diplomatic elite university MGIMO in Moscow and lived in Russia between 1988 and 2003. Kovács caught the attention of Hungarian, Polish, and French counterintelligence services in 2009 while establishing the Alliance of European National Movements (AENM) and attempting to field an independent политический group for right-wing radical parties in the European Parliament (EP). He held the seventh place on Jobbik’s party list in the 2009 EP elections and later worked as a parliamentary assistant to his party’s three elected MEPs. He himself became an MEP in 2010 when Zoltán Balczó switched from the European to the Hungarian parliament.

Kovács was officially charged with espionage for the Russia Federation during the 2014 EP election campaign, when the Hungarian chief prosecutor asked EP President Martin Schulz to suspend Kovács’s parliamentary immunity. The timing of the espionage charges leaves no
Istoshina married a Japanese nuclear physicist in the 1970s and, after her 1986 marriage to Kovács, also married an Austrian national – a career criminal. It is said that she used the citizenship acquired in her marriages to travel easily to the West as a KGB “courier.”

In all likelihood, the failure of Hungarian counterintelligence to disclose the case completely or to create a clear case leading to the immediate suspension of Kovács’s immunity and to his conviction was probably due to orders from the Hungarian government. Although Kovács regularly met Russian “diplomats” in covert meetings, Hungarian counterintelligence did not use such occasions to build the case. After one and a half years of consideration, the EP finally suspended Kovács’s immunity in October 2015.

As for the Hungarian reaction, no Russian diplomats were summoned to the Hungarian ministry of foreign affairs or expelled from the country in connection with the scandal, although these measures would have been normal under similar circumstances. As events unfolded, the Fidesz-led Hungarian government was able to kill two birds with one stone. It weakened Jobbik in the 2014 EP campaign but did not introduce too much tension into its flourishing relations with Moscow. At the same time the promised internal investigation of Jobbik has yet to take place. Although Kovács withdrew from public view, he was able to keep all of his positions and did not fall into political disgrace within his party. Jobbik packaged the whole scandal as a politically motivated attack of several intelligence services.

After he joined Jobbik, Kovács’s role in financing the party was substantial. As one of its most important sponsors in the early years, he contributed to its budget with several million forints at a time when its annual budget ranged from just 65 million to 3 million forints (about 2,100 to 9,700 euros). By coincidence, it was exactly in these years – between 2005 and 2008 – that Jobbik failed to submit proper financial statements to the audit office, in violation of the law on party finances.

Although the prosecutor’s office launched an investigation against Jobbik in March 2010, it ultimately concluded, like the audit office, that there had been no intentional wrongdoing. According to this, although several accounting and certification errors were made, they did not render the party’s financial positions and activities untraceable. In contrast to these findings, a Transparency International study states that Jobbik was unable to explain how the party could finance its 2009 and 2010 election campaigns, which required much more funding than the party reported. At the end of the day, neither the question of hidden and illegal party financing nor the presumably Russian origin of the money were seriously investigated.

Kovács’s influence on Jobbik’s foreign policy has not been negligible either. He organized the first visit of party chairman Gábor Vona to Moscow in 2008 and continues to accompany him frequently on his trips to Russia. Vona and Kovács have become important partners during the past years, as Vona accepted the foreign policy orientation prearranged by Kovács and gave it strategic quality. It is plausible that at the very beginning Vona, the strong man in Jobbik, only sought foreign partners who were able to ease the party’s international isolation. However, Putin’s Eurasian doctrine – complemented by traditional social values, the admiration of national sovereignty and strong leadership, and last but not least the common enemy of “decadent” Western liberalism represented by the US and the EU – raised Jobbik’s ad hoc partnership with Russia into a strategic alliance.

At present, Jobbik leaders treat Russia as a representative of a counter model against Western liberalism. However it is hard to reveal how authentic this position is. Jobbik launched a charm offensive in 2014–15 to establish connections both within Europe and on the transatlantic level. This was pioneered by Márton Gyöngyösi, the party’s other leading foreign policy figure, and currently a member of the Hungarian parliament. A graduate of Trinity College in Dublin who made a career at KPMG and Ernst & Young, Gyöngyösi is now seen by some as a possible future Hungarian foreign minister.

Despite this cautious charm campaign toward the West, Russia has definitely remained a strategic partner determining Jobbik’s positions in international affairs, especially in the Ukraine crisis. Kovács visited Crimea in March 2015 as an MEP and acted as an observer during the Crimean referendum. In response he was banned from entering Ukrainian territory for three years. Following this pattern, Gyöngyösi, who is also vice-chair of the foreign affairs committee in the Hungarian parliament, served as an observer at the elections in the separatist regions Donetsk and Luhansk in November 2014.

He, too, was subsequently banned from Ukraine.
Unsurprisingly, Gábor Vona’s first international trip after the 2014 general elections was to Russia, which underlines both the partnership’s importance and the extent of the political services Jobbik performs for the Kremlin. Significantly, the Jobbik delegation asked for Russian support for the autonomy of the Hungarian-Rusyn minority in Transcarpathia. It also condemned the activities of Ukrainian forces in the Donbas as “ethnic cleansing” and expressed the fear that similar “atrocities” could happen in Transcarpathia as well.

**Russian Media Propaganda in Hungary**

Russian media propaganda in Hungary differs from the Europe-wide media offensives of RT and Sputnik in that it is mainly geared toward right-wing media outlets. This limits its audience to the right-wing political scene and hardcore Jobbik voters who consume the party’s media. The media outlets most influenced by Russian propaganda fall into three different categories. The first group consists of Jobbik’s official and semi-official media platforms, exemplified by Kuruc.info and the news agency Alfahír. These outlets have their own editorial staffs but draw on Russian media and news agencies as sources on particular topics in accordance with the party’s political orientation and positions. Topics involving Russian news material cover a range of issues, from the Ukraine crisis to Syria, from the decline of the EU to bilateral relations with Russia.

The second group consists of apparently independent right-wing websites like Hídfo.net that have direct Russian involvement in the newsroom. The news and articles published by such sites are often not geared to a Hungarian audience. They regularly draw on foreign sources, and one has the impression that they are translations of Russian texts. Considering the site’s professional layout, Russian server, and currently Russian URL (http://hidfo.ru/), one can easily suspect that Hídfo.net is an active Russian measure to provide articles for a Hungarian right-wing audience and other right-wing portals. The low number of daily visitors (6,600) and page views (33,000) leaves open the question of whether it can be deemed a success.

The third category consists of Hungarian-language social media sites that echo Russian propaganda. On Facebook, the most notable pages are “Kiállunk Oroszország mellett!” (We support Russia from Hungary!) (with 7,000 “likes”), the Facebook site of Hídfo.net (with approximately 8,000 likes), and “South Front Hu,” a page publishing news about the Ukraine crisis that enjoys a broader audience (13,000 likes), as its content is geared toward a military subculture.

With regard to friendly Russian-Hungarian relations, it may at first surprise that Sputnik offers no Hungarian-language services, although it is present in Poland, the Czech Republic, and Serbia. But Moscow is certainly well aware that its influence in Hungary is already amply assured by its political and intelligence networks, by networks of corruption, as well as by the ideological proximity to Russia of the Fidesz and Jobbik parties. Russia therefore does not need to invest very much in Hungarian-language media outlets. Its influencing measures are tailored to Hungary’s elite, who set the country’s pro-Russian policies.

Even if Russia’s propaganda machine does little to seek direct influence over Hungarian society, the power of Hungary’s own highly centralized public media to shape public opinion cannot be underestimated. Especially on issues of high domestic political relevance – like the Paks nuclear power plant deal and the ideological “fight for independence” from Brussels and Washington – public broadcasters often echo messages that are either friendly toward Russia or share the same arguments employed by Russian propaganda. Despite these echoes, Hungarian public media are decidedly not part of Russian propaganda networks. The pattern merely follows the logic of Hungarian party politics and the political positions of the Fidesz party. Here again is a marvelous example of how Fidesz and Jobbik, as the country’s chief mediators of Russian influence, are nonetheless not necessarily subordinate to their Russian friends. In this game, they are mostly pursuing their own interests.

**Conclusion**

Russian influence in Hungary has unique characteristics. The pro-Russian political stance of the governing party, Fidesz, and that of its greatest political rival, the right-wing radical party Jobbik, is shared neither by the majority of Hungarians nor even by their own voters. The Russian orientation in Hungarian politics can therefore be characterized as a project explicitly led by the elite. Both parties show clear ideological proximity to the Kremlin’s authoritarian value system. Fidesz, however, is mostly penetrated by “dirty business” interests that are enmeshed with Russia and at the forefront of corrupt state-led networks connecting the oligarchs of the two countries’ respective political power elites. As for Jobbik, Russia’s early financing of the party and active measures undertaken by the Russian intelligence service to influence it crucially affected the party’s decision to pursue
a pro-Russian line, which was later fixed by a strategic decision undertaken by the party’s leaders. Fidesz is a pragmatic and friendly partner for Russia. This permits the party to reap the benefits of economic cooperation in exchange for providing Moscow with small political services and contributing to general stability within the EU. For its part, Jobbik represents a long-term strategic investment for Russia. It did not cost the Kremlin very much, but if ever it comes into power, Moscow will be able to harvest immense political profit.

Despite their close relations with Russia, both parties pursue their own interests and should not be considered explicitly subordinate partners. Since its model of influencing the Hungarian elite seems to be working well, the Kremlin need only make moderate efforts to influence the Hungarian public directly. Last but not least, these Russian-Hungarian ties contribute to increased strategic unpredictability in Hungarian politics at the EU and NATO levels – a service to Moscow that is indeed not to be underestimated.

Dániel Hegedűs is a program officer in the DGAP’s Robert Bosch Center for Central and Eastern Europe, Russia, and Central Asia.

Notes


5 Juhász et al. “I am Eurasian.”

6 South Stream was a natural gas pipeline project of the Russian Federation and a competitor of the EU-backed project Nabucco. South Stream was planned to deliver natural gas from Russia to Austria via the Black Sea, Bulgaria, Serbia, and Hungary while avoiding Ukraine. The project was abandoned in December 2014.

7 The Tesla pipeline is a sub-pipeline of the Turkish Stream project planned to supply natural gas from Turkey to Austria via Greece, Macedonia, Serbia, and Hungary. See “Greece, Serbia, Hungary, and FYROM to Sign Memorandum on the Construction of the Pipeline, which Should Connect the Turkish Stream Pipeline with Austria,” NewEurope, August 20, 2015 <http://neweurope.eu/article/russia-pushes-tesla-pipeline-through-balkans/> (accessed December 10, 2015).


10 On the one hand, it must be noted that the status of territorial autonomy is a legitimate claim of different minorities (Hungarians, Ruthenians) living in Transcarpathia. The proclamation of territorial autonomy by a democratic regional plebiscite in 1991 was never accepted by Ukrainian central authorities, nor was it ever implemented. Without questioning the politically damaging quality of Orbán’s statements, this case underlines how Russian aggression in eastern Ukraine made use of the region’s Russian speaking minority, under-mining minority rights in Europe and making it somehow acceptable to relativize minority rights and turn them into a security issue. This tendency has not been experienced on the European continent in this form and at this level of intensity since the first decade after World War II. On the other hand, the original Hungarian text of Prime Minister Orbán’s speech uses the language of “collective rights” and “self-government” and has a composition that can be understood as a reference to territorial autonomy but does not rule out other interpretations as well (for example self-governing bodies based on the principle of personal autonomy, like the minority self-governments in Hungary or the national councils in Serbia).


“29 “A Strange Russian Victory on the Underground Public Procurement Tender” [in Hungarian], Index.hu, July 10, 2015 <http://index.hu/belfold/budapest/2015/07/10/furcasonagok-a_bkv_metrotenderen/> (accessed December 10, 2015). It should be noted that Metrovagonmash is the successor of the original Soviet-era Mytishchi Machine Plant (Mytischchinskiy Mashinostroitelny Zavod), which constructed the respective subway line and the train cars as well.


The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the German Council on Foreign Relations (DGAP).

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