

When the EU comes knocking

We will probably never know for sure whether PM Viktor Orbán meant to say no to the agreement reached at the EU summit, but the major question for now is whether Orbán's quick reversal heralds an actual willingness to enter into the fiscal union proposed by Germany and France. Unlike the sole remaining holdout in rejecting the agreement, the United Kingdom, Hungary is extremely dependent on the EU. The government has relentlessly emphasised that it will protect Hungarian sovereignty from Brussels, but it has been known to occasionally acknowledge the inevitable need for compromise, witness its current eagerness to conclude an agreement with the IMF. With the need to make a decision on this crucial issue, the government's policy of co-operating with the European Union behind the scenes while lambasting it in public is no longer tenable.

Though we are not quite sure whether we can get a grip on the volatile Hungarian position on the most recent European rescue package/treaty amendment, we can nevertheless marvel at the process of opinion formation and try to get a sense of what it means for our place in and understanding of Europe. No one with leave to publicly speculate knows what happened with Prime Minister Viktor Orbán in Brussels and since Brussels.

The initial news said that two countries, the United Kingdom and Hungary, sought to veto the agreement German Chancellor Angela Merkel and French President Nicolas Sarkozy had pushed through, while two others, the Czech Republic and Sweden asked for time to consult with their national parliaments. British resistance was hardly a surprise, though the potential implications of PM David Cameron's refusal continue to reverberate throughout Europe. At least within Hungary, Orbán's bold move was shocking, however: most of the Fidesz government's anti-Europeanism had hitherto been rhetorical. That it would genuinely risk thwarting a rescue package or, more realistically, voluntarily sideline Hungary from the next step in the evolution of the European Union, was hard to believe.

Alone note just yet

As it happens, either the news item itself or Orbán's announcement was precipitous. By the end of the summit Britain remained the lone holdout, and Hungary joined the ranks of the countries where the government would consult with parliament before making a final decision. Once again, the Orbán government stood accused of an embarrassing U-turn, even in some circles that breathed a sigh of relief that the rejection was at the very least deferred.

Was the initial rejection just rhetorical grandstanding, or did the prime minister really change his mind? We may never know for sure. It is conceivable that Orbán was seeking once again to placate domestic cravings for a hard line but never sought to go through with a rejection, though it appears unlikely that he wanted to change his position this quickly. He might also have failed to anticipate the impact of an all-out rejection on the forint and the markets.

Ultimately, the more important question is, however, whether Orbán is playing for time by “delegating” the final decision to Parliament and where he ultimately stands on the question of joining the newly agreed upon fiscal union.

Because the one thing that is clear is that the notion of consulting the Hungarian National Assembly is pure eyewash. Few if any of the heads of state and government at the summit wield such influence over their respective parliamentary factions as Orbán does. Whatever the ultimate decision on joining the new fiscal union, Fidesz (and KDNP) parliamentarians will have little to add apart from pushing the “yes” or “no” button in Parliament, depending on Orbán’s ultimate choice.

In or out

The question whether to stay in or out is even more vital for Hungary than it is for the traditionally euro-sceptic United Kingdom, and even in the latter Cameron’s move has sparked intense soul-searching. Hungary is not only a smaller economy that is considerably more dependent on the EU than the British, but it’s populace is also far less euro-sceptic than the islanders across the Channel. So while the economic risks of opting out of the next stage of European integration may be considerable, the political benefits are uncertain – and most likely also a function of the economic impact.

Still, Orbán’s ostensive hesitation is understandable. It stems from the dilemma elaborated a few weeks ago (Week 47), that it is his wish to retain as much control over fiscal policy as possible in an environment that is increasingly hostile to such independence. And while the implications of the new EU pact are as of yet difficult to gauge in their entirety, one of the aspects that does emerge clearly is that those partaking in the scheme will have to sacrifice considerable policy latitude.

Merkel and Sarkozy have chosen to solve the crisis of one of the most important EU integration projects with more integration, thus leaving those countries already weary of competencies forfeited in a tough spot. In light of the gravity of the crisis, the fiscal union appears well-timed, which no doubt explains why most participants swallowed it more easily than they would have ordinarily (this is not a judgment on the merits of the proposal, given the complexity of the issues involved, we have to take a pragmatic “let’s see how it pans out” stance on the question).

EU or IMF?

The Fidesz government is in a particularly difficult and ironic situation. The irony stems from the fact that the attitude in 2010 was that the government had no need for the IMF, but we would naturally co-operate with the European Union and adhere to the latter’s fiscal policy demands.

Now the situation is essentially the reverse. Hungary appears eager for an agreement with the IMF and seems increasingly willing to grant major concessions for a credit from the international financial institution. In fact, some speculate that an agreement with the IMF would make the government less dependent on the EU, though that appears to be a dubious claim. In any case, the situation with the EU is the reverse, with Orbán sceptical of ceding major bits of fiscal sovereignty.

It must be pointed out that some of the goals that EU leaders wish to adopt are well in sync with the government's oft-stated policy goals, in particular the requirement that member state constitutions restrict national debt. Hungary has already adopted such a provision, though like much else in terms of fiscal and economic policy, its near-term fate is in question, as the government no longer appears wedded to the goal of quickly bringing down debt.

Interestingly, the government that has proudly emphasised its intention to limit the fiscal policy latitude of future governments for decades balks at the idea that the EU might do something similar to Hungary. While there may be a key difference now, i.e. in the former case the Hungarian government exercised its sovereignty while in the latter case it is ceding sovereignty, from the perspective of future generations the end result is very similar.

A long history of having it both ways

The internal debate (if there is indeed one) whether to join the fiscal union marks the temporary apex of a long history of paradoxical attitudes toward the EU (see Week 2011/23 for more details). Orbán has often been critical of the European Union, drawing an implicit comparison between Brussels' influence over member states and the USSR's (sometimes bloody) repression of Hungarian independence, and noting repeatedly that Europe is ill-equipped for the future while Asia, for example, is not.

Though it was important for Fidesz to often drive home the point that it is considerably more committed to Hungarian sovereignty than its predecessors had been, unlike Poland in some instances, Hungary under Fidesz has not until now actually played the role of spoiler on integration issues. In fact, even critics acknowledge that when it was in charge of the rotating presidency, Hungarian experts did a decent job on pushing public policy issues forward.

Uneasy as it made pro-Europeans in Hungary and policy-makers in Brussels, in some sense the gap between rhetoric and policy reality worked for both, the EU as well as Fidesz. Hungary remained a more or less dependable partner on common policy while Fidesz voters were constantly reminded that the government would not allow Brussels to take control of their lives. It was clear, however, that at least from time to time this balancing act would be untenable, and it appears that we have arrived at such a junction. Now the government has to decide just how un-European or European it can afford to be.