

# HUNGARIAN POLITICS IN-DEPTH

NOVEMBER 2014

## **Analysis: MUNICIPAL VOTE AFFIRMS ORANGE DOMINANCE**

Municipal elections tend to be more grateful subjects for the spokespersons of losing national parties than parliamentary elections because there are hundreds or thousands of results, and victory and defeat are not necessarily clear-cut. Even in the worst defeat, national parties can point to some local successes that redeem their efforts or at least qualify the totality of their defeat. The good news for the left is that the saving graces of 2014 are the same as the ones that gave it hope in 2010. And obviously that's also the bad news, for there was little to no progress for the left in October 2014. ... (See more on page 7)

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## **TOP 3 NEWS OF THE LAST TWO WEEKS**

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### **1. TAXING THE INTERNET**

### **2. MYSTERY SURROUNDING HUNGARIAN OFFICIALS BANNED FROM THE US**

### **3. IN GOVERNMENT, ANOTHER STORY OF INEXPLICABLE WEALTH**

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## **TOP 3 NEWS OF THE LAST TWO WEEKS**

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### **I. TAXING THE INTERNET**

There is only one media sector that the Orbán government has not yet come to dominate sufficiently. It has dominant positions in the public media, in commercial television and radio, and is very strong in the print newspaper market as well, with the few remaining opposition outlets struggling financially. On the internet, however, there are still influential independent outlets left, and there is also a vibrant left-wing and (even more vibrant) far-right press, as well as an active and irreverent blogosphere. This makes the government's recent announcement to tax internet traffic at roughly 50 eurocents a gigabyte especially ominous,

even if it is far from clear how or if at all the decision is actually supposed to impact political discourse on the internet.

The public has reacted with surprising ferocity to the proposal, with two huge and fairly successful demonstrations in Budapest (one resulting in vandalism at Fidesz' headquarters) and several smaller ones in rural towns. The government almost immediately backtracked quite significantly, adding that the tax would be capped at slightly over two euros per private subscription and 16 euros per business subscription. This failed to calm the storm, however, and ultimately Viktor Orbán decided to withdraw the proposal altogether, though there was some suggestion that this is only a delay rather than a full abandonment of the idea.

Speculations about Fidesz' reasons for the unexpected move - which marks a reversal of its previous opposition to Socialist attempts at imposing an internet traffic tax - range from pure thirst for revenue (the government is trying to cut the deficit) to more sinister interpretations. As far as the revenue is concerned, the government did not plan a huge income from the tax, it projected 25 billion forints for 2015. This does not seem like an amount that merits Fidesz entering into its most intense fight with the public to date. The more sinister interpretations argue that Fidesz wanted to actually reduce diversity of opinion on the net, by squeezing out foreign-owned ISPs who would have seen their profits much reduced, and ultimately putting the internet service market into the hands of Fidesz cronies who would have known what individuals do with their internet access. Those who advance this theory also point to Fidesz' claims that ISPs will not be allowed to shift the burden onto their customers. Coming out of the ISPs' operating margins, a tax amounting to some 20% of the cheaper subscription packages on the market - on top of a 27% VAT - would have made the internet provision business significantly less profitable.

## **2. MYSTERY SURROUNDING HUNGARIAN OFFICIALS BANNED FROM THE US**

Mid-October saw one of the past years' most explosive stories broken by the newspaper/portal Napi.hu, which is owned by a businessman with close ties to Fidesz. Relying on information by government sources, Napi revealed that up to 10 high-ranking

Hungarian officials (later the figure was adjusted downwards to only six) had been barred from entering the US because the American government allegedly holds reliable evidence that they were or had been engaged in corruption. The media immediately erupted in a frenzy of speculation as to who the persons may be, but this proved difficult. There were no more leaks and so the press had to guess. But it turned out that when journalists had to start by narrowing the list to persons who might conceivably be implicated in corruption, then even the narrowest list contained far too many names to allow for an educated guess.

The Hungarian government appeared less eager to pick a fight with the US than with the European Union (not to mention the heavily vilified Norwegians), and from the first second on emphasised its willingness to investigate the charges - if the Americans would only share their evidence. Though the American chargé d'affaires was unusually open about the issue, even taking on media appearances, he refused to divulge specifics, and he neither mentioned names nor information about what the alleged corruption involved.

Speculation within Hungary went in two directions, which are not mutually exclusive, however. The first saw the issue as part of a broader American attack on the Orbán government, arguing that the Obama administration had become fed up with Fidesz' pro-Russian and anti-democratic policies. This was manifested especially starkly in a harsh attack by President Obama, who mentioned Hungary in the company of several authoritarian regimes because of the government's attacks on NGOs.

The other speculation was that the charges were indeed related to a specific case that caused damage to the interests of an American company, namely Bunge and its cooking oil products. Bunge allegedly complained to the Hungarian authorities about its competitors cheating on the sales tax, which allowed them to sell their products cheaper. The informed officials, thus the speculation, did not stop the massive fraud because of their own financial interest in keeping it going. This storyline is also supported by allegations that the president of the Hungarian tax authority, Ildikó Vida, is one of the implicated persons.

### **3. IN GOVERNMENT, ANOTHER STORY OF INEXPLICABLE WEALTH**

In an all too familiar scenario in Hungary, the newly-minted foreign minister, Péter Szijjártó, was accused of spending significantly more on his recently purchased palatial abode than his officially declared assets and income should have allowed him to. The 700 square meter villa set Szijjártó back some 167 million forints (550,000 euros at current exchange rates), before renovations. Initially, Szijjártó had declared that he had paid half himself, with the rest of the money primarily coming from his parents, complemented by contributions from his wife and her family. Once journalists found out that even paying half would have exceeded the amount of his own assets, Szijjártó claimed that his parents contributed a greater share than previously indicated. Further reports revealed that Szijjártó's officially declared assets had been far outpacing his official earning for quite some time, which Viktor Orbán's former spokesman claimed was the result of fortunate investments. Fidesz is lucky that Szijjártó is apparently not all too interested in money, for he would have become superrich had he chosen to speculate in financial markets rather than engaging in politics.

Szijjártó's statements led some journalists to dig into his parents' fortune as well, and here another common Hungarian story emerged. Their business had thrived on public contracts and his father was caught up in one of the most massive cartel scandals in Hungary, where contractors had apparently agreed not to underbid one another and to divide public contracts among them. Of the cartel participants, only Szijjártó's father managed to avoid paying a fine once the case was concluded in the second half of 2010.

Nevertheless, though it is fairly obvious that something is fishy about the impressive wealth that Szijjártó accumulated despite the fact that he never held a job outside politics, his case is not unusual. Such scandals are fairly common, involving most recently Fidesz' parliamentary leader Antal Rogán, whose lifestyle also does not match his official income, and several other politicians - also some in the opposition - whose assets are not even remotely in sync with their pay. While these make for popular stories for a few days, they hardly ever result in any consequences and the public's interest generally proves short-lived.

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# ANALYSIS: MUNICIPAL VOTE AFFIRMS ORANGE DOMINANCE

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Municipal elections tend to be more grateful subjects for the spokespersons of losing national parties than parliamentary elections because there are hundreds or thousands of results, and victory and defeat are not necessarily clear. Even in the worst defeat, national parties can point to some local successes that redeem their efforts or at least qualify the totality of their defeat. The good news for the left is that the saving graces of 2014 are the same as the ones that gave it hope in 2010. And obviously that's also the bad news, for there was little to no progress for the left in October 2014.

Even though both the left and Jobbik received more votes than in 2010, the totality of Fidesz' victory was almost complete yet again. Three facts illuminate the overwhelming nature of Fidesz' success:

1) The governing party retains control of all county assemblies. Its majority is reduced almost everywhere - in several counties to a majority of one seat - but it remains a majority. Fidesz is in complete control throughout Hungary. As usual, Fidesz' majorities are more pronounced in the western half of the country.

2) Fidesz' has once again swept almost all major cities. In addition to Szeged, the left also won by 50 votes in Salgótarján, with a population of 37,000 by far the smallest of the so-called towns with a county level status, which tend to be the largest urban areas in Hungary. In sum: Fidesz retains overwhelming control of the major towns where the left's core political support used to be based outside Budapest.

3) In the capital, the mayor István Tarlós, the Fidesz-supported incumbent, was re-elected with a tally that was less impressive than previously expected, but imposing enough at almost 50%. Despite a weaker result than in 2010, Fidesz has also expanded its majority in the city council from 17-16 (10 MSZP, 3 each Jobbik and LMP) in 2010 to 20-13 (10 left-wing, 1 LMP, 1 Jobbik and 1 independent) in 2014, thanks also to the last-minute amendment of the municipal election law which - unlike the previous party list-based system - gives a huge edge to the party that wins most district mayoralities.

Votes are notoriously difficult to aggregate in municipal elections, since voters can only opt for party lists outside Budapest and the major towns. Thus information about party preferences without any impact of personal voting is only available in the rural areas and in smaller towns.

In said rural areas Fidesz lost votes in most counties, though generally not dramatically, usually in the range of 4-5% or even less. Its vote share is either over 50% in all counties or close enough to secure the majority of seats in the county assembly. Jobbik has picked up votes everywhere, and has surged massively especially in the western half of the country, where it was previously weak. It remains weak in Budapest and adjacent Pest county, however, Hungary's second largest county after Budapest (which is technically not a county). Since Budapest and Pest county are home to almost a third of the Hungarian population, Jobbik's persistent weakness here (at 18%, weakness is relative in Pest county) is a problem for the party that interpreted its showing as definite proof that it is now Fidesz' challenger.

The left's results at the county level are a mix, as it was weaker in some counties than in 2010 and stronger in others. Overall, rural Hungary remains the left's Achilles heel, though on 12 October the urban areas also offered little comfort to the left.

In the urban areas, on which the left had pinned especially great hopes, Fidesz lost votes everywhere, most significantly in municipalities where its lead had been astounding in 2010 (in the Fidesz bastion Kecskemét, the governing party's mayoral candidate received "only" 60%, down from nearly 80% four years earlier). With some exceptions, the left made strides in almost all urban areas, though the degree was rather varied and the increased strength

not immediately apparent in many municipalities where the left-wing parties ran separately. Jobbik also added votes in most major municipalities, though it remained below expectations in many. As compared to 2010, even the fact that Jobbik was on the ballot now in most major municipalities was progress for the far-right party. But the fact is that it is still not competitive in most urban areas, and in terms of its electoral prospects in a parliamentary election, that is a crucial problem, for it cannot hope to become a majority party through its rural strongholds alone.

For the left, there were few slivers of good news. Where its candidates ran jointly, the left overall often performed better than in municipalities where its parties ran separately, though there is of course a selection bias in the comparison: generally, the left-wing parties were much more likely to unite in municipalities where they had some hope of winning. Where the left had won in 2010, it generally won again in 2014, and often with expanded and massive majorities, including two Budapest districts (19th and 20th) whose left-wing mayors had to govern against a Fidesz majority until October, but have a left-wing local assembly to support them now. Two other left-wing mayors and an independent won their districts, but Fidesz' retained its hold over large parts of the city, even several working class areas where the Socialists used to be dominant. Surprisingly, some former long-time left-wing mayors came close to victories in places that were (in national elections) swing districts even at the best of times for the left (e.g. in Szombathely and the 9th and the 11th districts in Budapest), but ultimately they failed. The Budapest results were particularly disappointing for the left because in the parliamentary election in April it had come very close to tying Fidesz in terms of party list votes and won eight of the city's 18 electoral districts. A slight increase over the April results would have given the left a strong victory, but it turned out that Fidesz gained in strength instead.

The left-wing parties had been embarrassed by the early withdrawal from the race of their joint mayoral candidate, Ferenc Falus, and ultimately they were divided about lining up behind the person many perceived as the next best alternative, the conservative economist Lajos Bokros, who had previously served as a finance minister in a Socialist-led government. DK supported Bokros, as did Együtt, even as its partner party PM said no. MSZP was also internally divided, with the party's national presidium saying no to Bokros while the Budapest

presidium endorsed him. Bokros' tally - at 36% exactly on par with the left's total vote in April - ultimately provided one of the few saving graces mentioned above, since he far exceeded expectations.

Nevertheless, the Falus/Bokros affair was a good indication of just how massively divided the left is, and there was some palpable relief - especially in MSZP - that for a while at least the whole unity issue can be set aside and the three main parties of the left can focus on competing against one another. As things stand, after the EP election disaster the municipal ballot slightly shifted the balance back towards MSZP, but its advantage is still nowhere near as large as many had assumed until the EP election in May. In any case, with all three forces on the left surviving for now, the whole "who won more votes where" issue will be laid to rest, and instead the parties will seek to establish themselves as either the dominant players or at least irremovable fixtures on the left.

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