

A stylized, halftone-style portrait of Vladimir Putin. The image is composed of various shades of blue, black, and white dots. The portrait is partially obscured by a large, dark blue diagonal shape that cuts across the image from the top left to the bottom right. The background is white with scattered black dots.

European Perspectives

Vladimir Putin's Visit to Budapest

Centre for Euro-Atlantic Integration and
Democracy



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CENTRE FOR EURO-ATLANTIC
INTEGRATION AND DEMOCRACY

Business on Presidential Level

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Vladimir Putin's visit to Budapest brought no surprises. His talks with Hungarian Prime Minister Orbán covered mainly business issues as we had published in our earlier analysis (Beginning of a Beautiful Friendship or a Serious Mistake? Vladimir Putin's Visit to Budapest). The real surprise was in fact the lack of content. Seemingly, nothing on the agenda required a top-level bilateral meeting, at least judging from the press conference, which was held in a somewhat unfriendly atmosphere.

In this present paper, we have tried to summarize the outcomes and the motivations behind the meetings.

Russian President Putin has only visited Minsk more often in Europe than Hungary. Neither the economic, nor the political relations provide a reasonable explanation of why Budapest is so important for Moscow. Even Prime Minister Orbán mentioned at the press conference that the two countries were operating in different geopolitical dimensions. On the other hand, we cannot state that Russia is vital for the Hungarian economy, as the country does not belong to the top 10 trading partners of Hungary, despite its dominance as energy supplier.

The main issue prior to the meeting was Hungary's position towards the sanctions. The Hungarian Ministry of Foreign Affairs has probably miscalculated US intentions on this issue, and as President Trump - despite some media speculations - has not lifted US sanctions over the last weekend, it has left Budapest little room for loud criticism to Brussels. Although Prime Minister Orbán didn't miss the opportunity to highly exaggerate economic losses and stress that there were a growing number of Member States willing to lift EU sanctions on Russia, . Orbán's statement seemed rather like damage control than a real outcry against sanction policy.

As it was expected, the issue of the Paks nuclear power plant dominated the economic talks. It was surprising, however, that the Hungarian Prime Minister first denied that they had raised the issue of the Russian loan and then ruled out the possibility of financing the project from the financial market. Putin on the other hand, put Orbán in an uncomfortable situation as he confirmed that the Hungarian party did raise this question during the talks. The most likely scenario is that Hungarians, pointing to the current level of interest rates on the market, requested lower ones, but the Russians refused to negotiate..

The long-term gas delivery contract was also on the agenda. As Prime Minister Orbán mentioned during the press conference, negotiations for the post 2021 period have already started. There are speculations over the possibility that Gazprom will provide lower gas prices within the next year. This would be essential for the Hungarian government to launch a second wave of utility rate cuts for the 2018 election campaign. Based

on estimations, the previous utility rate cuts during the 2014 election campaign brought the governing Fidesz an additional 10-15% of votes.

According to political analysts, a similarly successful campaign could not only guarantee Orbán winning the elections, but could bring his party once again close to a 2/3 majority. This step would be also logical, as it makes no sense to negotiate gas prices beyond 2021. In the upcoming month, the announcement of the development of the Krk LNG terminal in Croatia is expected. An operating LNG terminal, and the growing number of LNG arriving to European shores, should push down gas prices in the upcoming years, therefore starting negotiations so early seems to be less beneficial for Hungary.

The Russian state media asked the two politicians about their positions on the Ukrainian crises. Raising the issue in Budapest was an unfriendly gesture as well. Instead of a diplomatic response, President Putin introduced new Russian conspiracy theories on the real intentions of President Poroshenko behind Kyiv's aggression. Orbán on the other hand remained pragmatic and this time visibly not supported the Russian positions. He has highlighted that Hungary is interested in a stronger Ukraine, and Budapest would provide all possible support to help the Ukrainian reform process. He emphasized that the Minsk Agreement was the best format to handle the situation and he did not see any other option. He also added though, that the Ukrainian government should work more on securing minority rights, especially related the use of minority languages. This was a clear indication of Hungary keeping an eye on the Hungarian minority in Ukraine.

The negotiations of the defence ministers are also worth to be mentioned. Meetings and the information of the Hungarian daily Magyar Nemzet suggest that parties were preparing a new helicopter reconstruction deal. Previously Hungary agreed on the reconstruction of 4 Mi-17 helicopters.

Now Hungary would like to commission Russia with the reconstruction of further 3 Mi-17 and Mi-24 helicopters. The fact that the Ministry announced the procurement of 7+3 radio-navigation systems for Mi-8 and Mi-15 helicopters further support the allegation, that Hungary further delays the procurement of new helicopters.

This year the bilateral meeting was shorter than in 2015, and although both sides considered them successful, the real success for President Putin was probably to signal his own domestic audience and to Brussels, that he was still warmly welcome in an EU member state. Unfortunately, meetings were less successful for the Hungarian side: no matter how hard Orbán would like to portray himself as a potential European leader, not even his allies consider him as a respected counterpart.

The **Centre for Euro-Atlantic Integration and Democracy (CEID)** is a Budapest based think-tank focusing on foreign and security policy of Central Europe.

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