

The poster child of Hungarian foreign policy: how relations with Germany turned sour

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Background

Hungarian-German relations are the poster child of Hungarian foreign policy: they embody everything that went wrong in recent years. There are both objective and political-communicative reasons which lead to the deterioration of political relations. The former is harder to improve, the latter easier.

The three-party coalition formed in Germany in 2021 (SPD-Greens-FDP) has been a challenge for the Hungarian government right from the start. Disagreements – which were often swept under the carpet under the pragmatic leadership of Angela Merkel – quickly surfaced after her departure from office. Some of the tensions were expected: the German governing parties have fundamentally different values, strive for a different European Union, and see energy and climate issues differently from Fidesz. The Hungarian government, which had previously been mostly in touch with German politicians through the Berlin Chancellery or the Konrad Adenauer Foundation (and bypassing the Social Democrat-led Foreign Ministry in Berlin), has landed in a vacuum.

As expected, Chancellor Olaf Scholz was far less understanding of Orbán than Angela Merkel, and the Hungarian leadership has been unwilling to develop working relations with the Green-led foreign ministry. But even politicians from the CDU/CSU, currently in opposition, have shied away from the Hungarian government, while the AfD has repeatedly indicated that it would be happy and willing to forge closer ties with Fidesz, pushing the Hungarian governing party into a far-right corner. Relations with Fidesz' former ally, the Bavarian CSU, had already reached a standstill after Fidesz blocked the election of Manfred Weber as European Commission President, and Weber became a key advocate of Fidesz's expulsion from the European People's Party (EPP). At the same time, an anti-German rhetoric that had previously been latent in Hungarian government circles, has intensified and risen to official levels.

Hungary's conflictive manners in European politics has further strained Hungarian-German bilateral relationship. One of the cornerstones of German foreign policy – regardless of political affiliation – is safeguarding the unity of the European Union. It is precisely this unity which the Hungarian government – especially since the Russian aggression against Ukraine – is regularly undermining, both objectively and rhetorically. Unusually in diplomacy, Hungary has repeatedly elevated bilateral conflicts to the multinational/European level, blocking proposals that had already been painstakingly negotiated, in exchange for very little real gain, but risking the assertion of Hungarian interests on the long run. It is not surprising that Siemens was not granted an export licence for the delivery of the Paks control system (although the French Framatome has.)

Tensions are mounting in economic relations, somewhat contradicting Fidesz' premise that Hungarian foreign policy serves economic interests. Germany remains the largest foreign investor and by far the largest foreign trade partner (one third larger than the whole of Asia in imports and five times larger in exports). It is a partner to reckon with.

Although German investors are not pulling out of Hungary, and BMW's investment in Debrecen has been hailed by the government as a historic success (all three major German car manufacturers are now present in the country), smaller German companies are starting to feel uncomfortable. According to this year's survey

of the Hungarian-German Chamber of Commerce and Industry, investor satisfaction in Hungary has dropped noticeably, from 88% to 79%, although this is still considered high. For the time being, the Hungarian government's 'divide and rule' strategy is working, cajoling big German investors with massive state subsidies, but slowly squeezing out medium and smaller firms as they get in the way of the Hungarian national capitalist class. An attempt to squeeze out mostly German-owned food retail chains could make matters worse.

In order to improve bilateral relations, the CEID Foreign Policy Expert Roundtable has made the following recommendations:

Proposals

1. The Hungarian-German tandem (building on cheap energy from the East, and investing in good relations with Moscow and Beijing) fell apart, Hungarian diplomacy misjudged German flexibility. Germany has effectively reduced its dependence on Russian gas, while Hungary has still a long way to go. But due to the strong presence of German industrial companies, Hungary's energy security is also important to Berlin. There is a need to send a clear signal that Hungary is also willing to reduce its dependence on Russia, highlight the progress which has been made, and to make proposals for energy policy cooperation within the EU framework.
2. Gone are the days when slogans for domestic political use were kept within the borders, now they are appearing in real time in the foreign public sphere. Hungary has become a "topic", for politicians and the press, and the attitude towards the country is generally not benign (thanks to ourselves). Let's turn down the volume. An Anti-EU rhetoric is not welcome and tolerated by investors either.
3. Stop undermining the EU. Choose carefully what and when to veto. Otherwise, mechanisms will be found whereby Hungary will be excluded from joint decision-making.
4. Relations with the German coalition government must be restored. It is pointless to engage in a verbal war with the Foreign Minister or react belligerently to media reports. Let's return to Fidesz's earlier premise: to cooperate with the government in power (Orbán could cooperate with Gerhard Schröder as well).
5. Although the German federal elections are not due until 2025, allies can be sought at the state level.
6. Avoid stressing the importance of German-Russian relations, this is not timely. However, there is a common interest in avoiding a complete break in economic relations with China (under US pressure). Constructive proposals should be made here. The EU's policy towards China is evolving, there is a chance to contribute to the debate with rational proposals rather than blocking.
7. The defence industry is a new field for Hungarian-German economic cooperation. It is unfortunate that Hungarian relations with Ukraine, one of the main potential export markets for military equipment to be produced jointly with Rheinmetall, have practically frozen. Action is definitely needed here, and constructive proposals should be made.
8. Germany is currently far from being the leader of the European Union, while French President Emmanuel Macron has repeatedly indicated that he has such ambitions. In many ways, the Hungarian government is also seeking a cooperation with Paris, which could be a win-win situation (nuclear energy), but two factors should not be underestimated: the investments and trade relations with France do not come even close to Germany's and French geopolitics in the region is building heavily on Romania and Poland (and not on Hungary).