

Tactical Orbán soothes markets in Brussels

Almost a year to date of his last appearance in the European Parliament, Hungarian Prime Minister Viktor Orbán faced his critics again in a heated plenary session. With state default potentially looming, infringement proceedings underway in Brussels, and Fidesz' popularity continuously dropping, the stakes were much higher than last January. Over the past weeks, Orbán has gradually retreated from his position of not ceding any ground on controversial legislation, and by the time he arrived in Brussels he claimed to have almost comprehensively succumbed to external pressure. While this did not stop him from lambasting his opponents, his sometimes combative approach apparently did not harm the impression that Hungary was ready to play ball with the international institutions that are necessary to keep the country's finances afloat.

In an astute display of his generally recognised political flair, Prime Minister Viktor Orbán asked to participate in the European Parliament's plenary session on Hungary. The PM wisely decided that this would be a good opportunity to face his critics and to reinforce his weakening support in the European Parliament.

With European and other international concerns about Hungary's government multiplying recently, there are now a number of issues and possibilities on the table. Most importantly, the European Commission has initiated three infringement procedures against Hungary, on account of the increasingly precarious independence of the central bank, the compulsory early retirement of judges and prosecutors, as well as concerns about the independence of the data protection authority. Most importantly for the Orbán government, a failure to reconcile with the European Commission would jeopardise a credit deal with the IMF without which the Hungarian state might be in serious financial trouble by summer.

Dual role for Orbán

Just like last year, Prime Minister Orbán therefore needed to strike a balance between somehow soothing European opinion without losing too much credibility back home. In Hungary, he had repeatedly promised he would never back down from anything that serves national interest – something which the impugned new legal provisions allegedly do, according to the government. Yet it was also clear that in light of intensified international criticism, continuing confrontation with the EU leadership might invite greater trouble than the government is prepared to handle. Moreover, a continuing 'freedom fight' could have led to the loss of Orbán's last bastions of foreign support in the European People's Party, the EP's largest parliamentary group.

Early indications are that the PM succeeded at least in part, though interestingly the press coverage pointed in completely the opposite direction. The dominant insight in the Hungarian press regarding Orbán's appearance was that he was conciliatory, promising to make whatever legal amendments were necessary to satisfy the Commission's criticisms. Though the international correspondents mostly witnessed a combative Orbán, with Germany's *Der Spiegel* arguing for example that he "lashed out" at his critics.

Indeed, in addition to the conciliatory substance Orbán also reserved some more pugnacious comments for his detractors. Presumably, his mixed approach was geared towards allaying growing concerns among his own foreign supporters in the EPP while refusing to take criticism from the left and liberal factions. The former group received from him a promise to implement required changes, while the latter was in line for the rhetorical punishment that a segment of Fidesz' own and further right voters anticipated from the PM.

Untruths and half-truths

While the prime minister accused his critics of insufficient knowledge of Hungary and argued that their claims often lacked a factual basis, his own statements were not always entirely accurate. He invoked for instance the often-repeated falsehood that the Hungarian constitution was the last 'communist' constitution in the region, whereas the reality is that nothing but its name, Act XX of 1949, had anything to do with the old regime. It is a well-known fact that Hungary's constitution was completely rewritten in 1989.

Orbán also noted that in 2010 Hungary was on the verge of economic collapse, which is a half-truth at best. Orbán is of course correct in saying that when he took over, the economic and budgetary situation was not rosy by any standard. Yet the trends were improving and though the Fidesz-government faced some very uncomfortable political choices, keeping the budget deficit in check and bringing the debt down looked far more feasible than it appears now, a year and a half after. The PM claims to have dedicated much of his energy towards these ends. That said, his statement claiming that the national debt has declined was also wrong since – in large parts due to the decline of the Forint – Hungary's gross debt has increased in spite of a massive money infusion from nationalised private pension savings.

Defining success

Considering that the international press saw an aggressive Hungarian PM while the Hungarian press saw a conciliatory one – hardly surprising in light of Orbán's rejection of any compromise for a long time – one might come to the conclusion that he achieved the opposite of what he wanted: an antagonised Europe and a domestic audience convinced that

Orbán has caved to European pressure. As to the latter, it is too early to judge, but in light of the substance of Orbán's statement it is difficult to conceal that Hungary has surrendered at least parts of its struggle against the international players.

At home, the PM couched his capitulation in terms of giving in to raw force rather than the persuasive power of the opponents' arguments. However, it is hard to see how that will make concessions appear more palatable to those supporters who were infatuated with his spirited defence of Hungary's independent course. It is conceivable that this communication will succeed in damaging the perception of Europe – this part is already near certain – while simultaneously strengthening Jobbik. Voters appalled at European pressure might feel that the far-right would have stood up for national interests even more forcefully.

Preparing for the IMF talks

That said, Orbán's communication has succeeded in calming markets and bringing the Forint to its best mark this year. Over the past weeks, markets and political analysts were increasingly unsure whether Orbán intended to reach an agreement with the IMF and the EU or not. Though most analysts were convinced that even Fidesz, in spite of its overwhelming parliamentary majority, could not afford a state default, a growing number of voices argued that this in fact exactly what Orbán was playing at. His readiness to talk the IMF was only pretence, some observers argued, in reality he wanted merely to shift the blame for the ill-effects of default on the international institutions.

What may have been an outlandish notion a couple of months ago can no longer be as easily dismissed, but nonetheless the fact is that Orbán appears ready again to co-operate with the EU and IMF. How steep a price these institutions will demand for keeping Hungary solvent is unclear, as is the question of how far Orbán will go in meeting their demands. His willingness to compromise on the issues most recently impugned by the Commission, however, implies that at the very least he wishes the next round of negotiations to start smoothly. We will soon know whether he is also willing to relegate state default scenarios to the realm of fantasy.