

HUNGARY AND THE EU FROM 'RETURN TO EUROPE' TO 'OCCUPY BRUSSELS'

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The occupation of Brussels

Viktor Orbán's 2024 speech on Hungary's national holiday was meticulously incendiary. 'Brussels is not the first empire that has set its eyes on Hungary' he said. The holiday itself is closely linked with empire: March 15th commemorates the outbreak of the 1848 independence war against the Habsburg, whose cast of heroes, villains — and ultimate defeat — has been perpetually remoulded to suit the mood of the moment. This year, the anniversary saw the release of *Now or Never*, the most expensive Hungarian film ever produced. It is a bombastic retelling of 1848, full of action and zingers that echo the government line: Habsburg jaws easily swapped for Brussels elites and the foot soldiers of Soros. The PM continued: "If we want to preserve Hungary's freedom and sovereignty, we have no choice: we have to occupy Brussels." In the following weeks, posters went up country-wide, depicting domestic opposition figures as Ursula von der Leyen's personal lackeys, bringing a holy trinity of evils to the country: migration, gender and war. This is familiar terrain: Hungary's authoritarian leader fanning the flames of a fight against globalised elites, the West, the EU. But this peacock dance — the PM's term — is also good clickbait; it can mobilise voters and media consumers, push the discourse to the right through an endless clutter of bile. By 2024, Orbán has ruled Hungary for the majority of its post-89 history; despite being in power for over 14 years, mainstream media still regularly portrays his regime as an anomaly within the Union, perhaps best explained by the authoritarian personality of a leader who has capitalised on the EU's disunity, smelling blood at each sign of disfunction. And yet — if one looks beyond an apparent set of opposing interests and worldviews embodied by ever-increasing, well-publicised clashes between Orbán and the Commission related to the rule of law, attacks on sexual minorities, freedom of speech — or, more recently, Ukraine — a more complex image emerges, one made of mutually reinforcing interests, in which media sparring serves one purpose and capital flows another.

This piece seeks to place Orbán's emergence within the wider history of Hungary's integration into the EU. But this story goes beyond the specific case of a small East European country: the emergence of a semi-authoritarian state in the heart of the Union reveals much about the changing nature of contemporary capitalism, the role of European institutions, and the process of uneven Europeanisation during the past decades. The following pages chart how Hungary had been a willing forerunner in the regional implementation of neoliberal ideas during the 1990s; how the 'success' of the austerity measures mandated by the EU during the 2000s served as a template for later interventions amongst the Southern member states during the eurozone crisis. It traces how Orbán's rise to power and state-building heralded a new model for right-wing governance in the 2010s; and how the country has become a testing ground for new 'green industries' in the last

years. Placed against the backdrop of these wider developments, the regime appears less as an anomaly within the EU project — and rather as one of its logical conclusions.

Hungary's very long transition

Commentary on contemporary Hungary usually expresses a form of puzzlement at the country's trajectory. Had Hungary not managed a peaceful transition and effective reforms? By the time it joined the EU, the country seemed poised for seamless integration. Yet in the two decades that have elapsed since EU accession, it has mostly made negative headlines: rescue packages, neo-Nazi militias, hate crime against the Roma, an increasingly rogue PM, endless tussles in Brussels. Where did it all go so wrong?

The process East European economies' integration with the West did not start with their accession to the EU or even the fall of the Berlin Wall. Contrary to still dominant narratives, the region had not lived in near-total isolation behind the Iron Curtain. By 1989, its countries had been integrated to various degrees into the global capitalist system for decades. This process had accelerated with the end of the Bretton Woods system, the defeat of alternative projects of globalisation and the advent of neoliberalism. Hungary was the Warsaw Pact member that opened itself the most to global capital flows, as it sought to become a 'bridge' between West and East, financing technological upgrading through Western loans. Along with Poland and Romania, it joined the IMF during the 80s, contracting its first World Bank loan in 1982. Joint ventures with part-foreign ownership were already allowed from 1972 onwards; by 1989, much of the regime's technocratic elite had already been converted to the merits of the free-market and thousands of foreign companies were established in the country. But these increasing openings to a market economy had neither alleviated internal tensions nor substantially improved the country's global standing. Hungary stumbled into its regime change saddled with substantial debt, cut off from the Soviet-led Comecon trading zone and with no meaningful or coherent strategy regarding the next steps to take.

There were both antecedents and continuities on either side of '89: East European countries remained dependent economies, whose entanglement with a Western-dominated, increasingly financialised global order had already been underway. The regime change nonetheless marked a qualitative break. As the end of history dawned, Eastern Europe emerged as a new frontier for capital, with willing local elites, the active intercession of international actors, and a shifting global landscape combined into a radically new reality.

Each country in Eastern Europe took on specific trajectories after the fall of the Berlin Wall; the Baltic states went the furthest in the neoliberal restructuring of their states, while Slovenia has usually been upheld on the other side of the spectrum as the country that most managed to protect its welfare institutions, state capacity, and labour's bargaining position. Some countries — and specific cities — fared better; but decades into the region's transformation into market economies, none managed to break away from a semi-peripheral status, which conditions their development to the decisions of external investors and great powers. By relentlessly pushing for a specific set of market reforms through Eastern Europe, the EC (and since 1993, the EU) only reinforced existing structural inequalities and path

dependency. These policies transformed Central and East European (CEE) countries into 'competition states' engaged in a race to the bottom to provide — overwhelmingly Western-based — transnational companies with the most amenable conditions. The price paid by local societies for these changes would be steep. Recent estimates have put the number of excess East European deaths during this 'lost decade' upwards of 7 million.

Actually existing social Europe

By the 1990s, European institutions were firmly committed to the neoliberal project. This transformation would shape the way the process of European integration unfolded in Eastern Europe, determining much of Hungary's trajectory.

Most members of reformist or opposition circles in Eastern Europe might not have foreseen the social consequences of the laissez-faire wave of the 90s. But the reality on the other side of the Wall was far from the Keynesianism that had produced much of Western Europe's post-war 'golden age'. By 1990, the 'Washington consensus' — based on a credo of stabilisation, liberalisation and privatisation — had been firmly entrenched in the countries at the core of the EC. In the absence of fiscal harmonisation, the single market had already pitted their respective welfare states against each other, a trajectory that would only be reinforced with the advent of financialisation and neoliberalism. The 'competitive deregulation' espoused by the European Commission — and its various institutions — in effect shattered the social consensus that had prevailed for much of the era; economic integration reinforced intra-state competition, eroded labour's protection and bargaining power, while also ensuring its abundance and disposability. For all of the Delors Commission's talk of a 'Social Europe', the 1992 Maastricht Treaty effectively constitutionalised a neoliberal economic vision that facilitated the free movement of capital and labour while simultaneously reducing states' manoeuvre room by setting hard rules regarding budget deficits and sovereign debt. The treaty's social provisions might have evoked 'social dialogue' — but its vague contours were neither mandatory nor prioritised ever since.

The 1990s proved a pivotal moment in the establishment of the EU's economic architecture. 'Disciplinary neoliberalism' — a commitment to low inflation and fiscal discipline — was hardwired into the treaties at the heart of the EU's Economic and Monetary Union (EMU), while simultaneously '*American deregulatory and competitive pressure* was applied on Europe's bank-based financial system.' Central banks were in effect 'de-nationalised', becoming instead key institutional nodes in the spread of an increasingly financialised system; they were key actors in the establishment of commercial banks' subsidiaries in Europe's Southern and newly-opened Eastern peripheries. In Hungary — as in other neighbouring countries — these subsidiaries were hardly incentivised to boost domestic production. This allowed them to engage in increasingly high-risk activities, with yields channelled back to the continent's Western core.

From both a financial and industrial perspective, European integration offered a fix to the crisis of wage-led growth faced by Western European economies. In insulating economic decision-making from democratic oversight and by radically opening up Eastern Europe to

transnational capital, it offered new models of accumulation for the Western economic elites whose interests increasingly determined institutional politics. The reshaping of Western European states was well underway by 1989; the Fall of the Berlin Wall offered the elites invested in this project a chance to expand it deep within Eastern Europe. Under cover of integration, the EU engaged in wide-ranging institution-building in candidate countries. This

'Europeanisation' was not restricted to the transfer of legislation relative to minority rights or administrative capacity; in preparation for their entry to the EU, candidates such as Hungary had to conform to the austerity measures prescribed by the Maastricht Treaty. These processes were all conditioned by the gravitational pull of Germany and its growth model based on exports and the strength of its manufacturing sector. Buoyed by the absorption of the GDR and the establishment of East European economies as de facto satellites, Germany asserted its dominant position within the Bloc, decisively shaping the form it would take during the 1990s. Hungary — with its willing political and economic elites — would prove an amenable terrain for these transformations.

Hungary returns to Europe

In Spring 1994, Hungary became the first among the former Warsaw Pact members to officially request Union membership; it would take nearly four years for the official accession talks to start and another four years of negotiation before membership was — overwhelmingly — approved in a national referendum in 2003. Alongside a host of other East European countries, Hungary entered the Union in 2004.

EU institutions played a determining role in determining the country's trajectory both before and during negotiation talks. Strict membership conditionality was used to reshape domestic policies and the Hungarian state's structure; 'national investment promotion agencies' which agitated for the opening of local economies to international investors were directly financed by the EU. Established in 1990 with the stated goal of facilitating European integration, the EBRD (European Bank for Reconstruction and Development) was also an important actor in this process. It thoroughly leveraged its status to intervene in policy areas and condition its loans to the involvement of private capital. In parallel, the bank established and maintained benchmarks and 'transition indicators' to measure countries' 'progress' on the road to privatisation. The resulting process was the very opposite of the East Asian-style developmentalist path, where the emergence of the 'Four Asian Tigers' was enabled by state-run development banks which played a crucial role in advancing industrial policy. It was also diametrically opposed to Western Europe's own post-war recovery, which had been premised on active state intervention and the establishment of national industrial policies. 'This was *no Marshall plan*' by any stretch.

When Hungary's (conservative) government sought to alter the process of privatisation in 1993-1994 by favouring domestic bidders, the response of the EU, the EBRD and the IMF was swift; they condemned the government's effort to insulate itself from 'foreign penetration' and suspended scheduled financial aid. This led to an immediate worsening of Hungary's credit score on international markets, making it more difficult and costly for the

state to refinance itself. By the end of the decade, key industrial assets, as well as much of the banking, telecommunication and energy sectors had been substantially transferred into foreign ownership. The takeover of state-owned enterprises (SOEs) by foreign capital effectively downgraded capacity in many sectors; to prevent competitions, many former SOEs were either broken up or simply killed off. Others were penalised by a system that effectively favoured foreign investors through cheap loans, tax cuts and subsidies. As Hungary's economy was restructured to export-led specialisation, only about a quarter of existing domestic companies survived.

Campaigning on a promise of 'privatisation done right' and mending relations with European partners, the Socialist Party — the Communist Party's de facto successor — won an outright majority in the 1994 elections, putting an end to the short-lived (and chaotic) experiment of the previous government. In the following years, its government would impose draconian austerity measures (the 1995 'Bokros Package') which saw massive cuts to education and welfare. The EBRD finally released withheld funds in 1996, after an IMF bailout mandated a deepening of the privatisation process, a reduction of the state apparatus, and the restructuring of the tax system. An agreement with the EU double-downed on the government's commitment to privatise banks, telecommunications and energy utility companies.

These macroeconomic choices had a drastic effect on social policy. The crunch in savings, pensions, and real wages to which local populations were subjected was not an unforeseen consequence of mismanagement, but the logical corollary of the EC, IMF and the EBRD blaming 'excess demand' for distorting the market. EU leaders concurred with Hungarian economist János Kornai's assessment that the country had a 'premature welfare system'. Rather than viewing the social legacies of the previous regime as foundations upon which to build resilient societies, they were too often seen as the bloated heritage of a system whose soft budgets and over-generous welfare were accused of having had led to its demise. With the steady decrease of the state's welfare capacities, credit eventually became a means for social pacification.

As a result of these policies, real wages fell by a quarter, a third of pensions' value was wiped out; both agricultural and industrial production fell by over 30%. By the middle of the decade, over a million jobs had been lost. Organised labour basically disappeared. The once-public housing stock was almost entirely privatised. However widespread, the effects of these transformations were not distributed equally. The historically richer western parts of the country did not go through the precipitous decline in living standards that unfolded in some north-eastern regions particularly affected by deindustrialisation. The Roma minority and women were particularly hard hit by these changes. But this period also saw the rise of a 'comprador class' invested in the local implantation of transnational capital to whom it provided technical and managerial services. The personal aspirations, connections and acumen of this group would determine the sociopolitical fabric and politics that would emerge from this period.

Many of these processes were similar to the ones underway in neighbouring countries;

this does not mean they were inevitable. Hungary might have had an outstanding amount of public debt even in regional comparison, but its abandonment of any industrial policy and its adoption of a no-strings-attached privatisation process mark it out. Hungarian elites' short-sightedness, naivety and self-interest were important factors, but these were not solely internally-driven decisions. European institutions played a key role in shaping the society that would emerge from the 1990s and whose contradictions and crises eventually led to the first Orbán government (1998-2002) – prefiguring the sequence that would lead to his second coming to power, over a decade later.

Stumbling into the new millennium: a bit of hope and many crises

Hungary's accession to the EU in 2004 appeared to confirm the sense of optimism that picked up at the turn of the century. The preceding decade might have had its hardships — but the country had '*finally returned to Europe*' in the words of then-PM Medgyessy. There was much talk of new beginnings; the idea of Hungarians opening pastry shops in Vienna was a popular trope. For the first time since the regime change, steady growth ticked along for a few years. The socialist-liberal government elected in 2002 even appeared initially willing to address some of the worst effects of the previous decade's social policies. But underneath the surface, the deep tensions that had emerged from the transition had only been papered over. About a third of the population remained at risk of poverty or social exclusion, with deep poverty tearing through many of the provinces. Population numbers had steadily declined since 1989. For all of the sacrifices of the 90s, sovereign debt had only just inched under 60% of total GDP. The adoption of the EU's Common Agricultural Policy (CAP) had proved disastrous for most cooperatives and many small- and medium-scale farmers.

The economy had become ever more vulnerable to international capital flows and more dependent on (predominantly German-owned) car manufacturing; in just over a decade, the share of trade in terms of total GDP jumped from around 65% to 160% in 2008. Significantly, much of the Foreign direct investment (FDI) that poured into the country during these years did not result in significant technological transfer or the upgrading of Hungary's position within global value chains. A similar asymmetry defined the highly unregulated financial sector as well: by 2005, over eighty percent of bank assets in Hungary were held in foreign banks. After government subsidies for housing loans were scaled down, these banks jumped in, flooding the market with foreign — predominantly Swiss franc— denominated loans (forex). Coupled with the absence of a coherent social policy, this would prove a disastrous prelude to the social crisis that ripped through Hungary in the mid 2000s — and in which EU institutions would again play a key role.

Elected in spring 2006 on a promise of 'reform without austerity', socialist PM Gyurcsány quickly started implementing harsh austerity measures with the full support of EU bodies. Despite the spread of massive demonstrations triggered by a leaked speech in which he admitted having lied about the country's financial state, the government pushed on, drastically reducing public services and administration. The economy was brought to a standstill. Yet, if anything, the implementation of austerity in 2006-07 only made the country more vulnerable

to the 2008 Great Financial Crisis. In Autumn 2008, speculative attacks against the forint resulted in a dramatic depreciation of the currency. Household debt rose to 40% of total GDP — 80% of which consisted of forex loans. Hundreds of thousands of indebted households were suddenly confronted with exponentially rising mortgages and debt. The number of those living in precarity exploded; homelessness and emigration sharply rose. Evictions became common sight.

The troika steps in and achieves success

In Autumn 2008, a troika formed of the IMF, the ECB, and the European Commission stepped in. The intervention is significant; in many ways it served as a testing ground for the EU's catastrophic reaction to the eurozone crisis a few years later. The IMF insisted that the government take out a significantly bigger loan than originally planned; this both increased the country's dependence on international creditors and worsened its overall indebtedness, the very issue the bailout purportedly sought to correct. The situation was also worsened by the ECB's refusal to accept Hungarian bonds as collateral for a 5 billion euro loan; this effectively priced the country out of the sovereign bond markets and forced it to further reach into its already depleted euro-denominated reserves. And yet, it is the Commission that emerged as the most hawkish decision-maker of the trio: it demanded immediate rectifications to the budget, set a hard 3% deficit target for 2010 and 2011, and mandated a pension reform more radical than the one requested by the IMF.

This process was further deepened through what came to be known as the 2009 'Vienna initiative' which brought together East European governments, the Commission, the IMF, the EBRD, and Western banks with subsidiaries in the region. Instead of disciplining the actors whose predatory lending had led to a 'subprime moment' in Europe's Eastern periphery, the agreement effectively bailed them out. In return for the banks' promise not to withdraw from the region, national governments pledged to implement the austerity measures demanded by the Commission. As such, the agreement pioneered a form of joint fiscal governance over several East European countries by Western banks, EU institutions and the IMF.

The strings attached to these various bailouts and interventions massively cut Hungarian pensions and wages. Taking over from disgraced PM Gyurcsány, a 'technocratic' administration led by Gordon Bajnai continued to prioritise the reigning in of public deficits and debt. Its efforts were a failure even on its own terms: the economy continued to shrink throughout 2009. Amidst a global recession, exports fell by nearly 20 percent; public debt continued to rise. These measures might have left Hungarian society poorer, more divided and unequal than at any point since 1989 — but decision-makers in Brussels and Frankfurt labelled it a success; 'the Washington Consensus [had been] rescued by EU institutions.'

Viktor Orbán's Fidesz had not been idle during these crisis years. During its years in opposition, the party had slowly rebuilt its base, amplifying the grievances of forex debtors, establishing alliances with sectors of capital that felt left out of the country's FDI-growth model. His first term in 1998-2002 had not marked a significant departure from the process of

Europeanisation. But the landscape in which he achieved a two-thirds majority in 2010 was wildly different. It would become the perfect ferment for the building of his 'illiberal state'.

The rise of Orbán: selective breaks

Within a few years of retaking power, Orbán had in many respects gone further than most left-wing governments worldwide have in the past decades. In 2011, he very publicly refused further cooperation with the IMF and called for an 'economic freedom fight'. From 2013 onwards, his government has been able to work hand-in-hand with a repoliticised

Central Bank, allowing it a degree of economic leeway forsaken by most administrations. Breaking with decades of tradition, the newly empowered governor of the Central Bank established 0% lending rates facilitating domestic investors. Sovereign debt was drastically reduced and (re)domesticated. Much of the energy, telecommunication, and banking sector was nationalised. Special taxes on banks were levied; the latter were also forced by the government to accept a fixed-rate agreement with many forex debtors. A few years later, at the height of the covid crisis, the government broke another taboo, introducing price controls for certain key products. And all of this while maintaining steady growth, high employment figures and facilitating the rise of (politically-aligned) middle and upper-classes.

In breaking with key elements of neoliberal doctrine, the regime has doubtless shown the left that thinking big is possible. It has also provided an early example for what has been heralded as 'the return of the state' in the wake of the pandemic. But the Orbán regime's use of state intervention and renationalisation cannot be mistaken for an egalitarian or redistributive vision — if anything, it provides a warning that such tools are not ends on their own. GDP might have steadily increased, but growth has been increasingly decoupled from social welfare. Social mobility remains staggeringly low. Life expectancy at birth remains the lowest of the Visegrád countries; per capita covid deaths had led global charts for many months. Public spending on education and healthcare have been in steady decline; enrolment rates in higher education have fallen by nearly twenty points during his tenure. Facilitated by a flat tax rate of 15% and the highest VAT in Europe (27%) a form of 'perverse redistribution' has persistently siphoned riches upwards for the past four terms. Even its highly publicised 'pro-family' policies have in effect favoured middle and upper earners over working-class families.

The country's 'democratic backsliding' has been thoroughly documented by now; a hegemonic control of the media sphere, a systemic takeover of educational institutions at every level, a compliant judicial system and the near-complete entanglement of party and state have led to a form of managed democracy in which increasingly important elements of government have been removed from public oversight and control. Much has also been written about the perpetual fanning of culture wars, the incessant hate speech produced by pro-government actors, and the very real effects these have had on the public sphere, minorities of all kinds, real and perceived opponents, and the mere possibility of an alternative politics. Since 2015, an increasingly belligerent anti-EU rhetoric has taken centre

stage. European institutions might have regularly expressed *concerns* and doubts, approved the Tavares (2013) and Sargentini (2018) reports, but their response has overall been dithering and toothless; more importantly, the very architecture of the EU has played a key role in the enabling of the regime.

Hungary proves it is a reliable partner

Orbán's much-publicised break with the IMF — as well as some of his governments' more 'unorthodox' measures — might have caused alarm in Brussels, but he has proved himself a reliable partner regarding the EU's fiscal and economic policy through much of the 2010s. Having included a mandatory debt break in his 2011 constitution, he supported the

EU's 2012 'Fiscal Compact' which further constitutionalised the Bloc's austerity-driven policies. Domestically, the government's 'Economic Stability Act' hardwired fiscal discipline down to municipal governance, both tightening government control and neoliberal policy-making. During years marked by ongoing turbulence involving the EU's southern members — and the 2015 standoff with the Syriza government — Hungary appeared as a safer location for investment. A reform and modernisation of tax collection services has led further credence to his government's credibility in the eyes of bond investors and Brussels. From 2013 onwards, Hungarian bonds have been successfully sold at regular intervals on international markets.

Orbán's first years in power were facilitated by a more favourable global conjuncture, quantitative easing, an uptick in industrial investment. But his economic project has also been highly dependent on the direct inflow of EU funds, which only started significantly pouring into the country after 2010. Constituting on average 4% of total GDP, they have fuelled the government-engineered housing and construction booms. Distributed with little oversight, they have also allowed the ruling party to centralise and verticalize power: in addition to widespread cronyism and corruption, vertical relations of dependence has been institutionalised at every level. This has been particularly apparent in small towns and village, where local Fidesz potentates have used the massive inflow of Rural Development Program (RDP) payments to consolidate their position. The centrality of EU funds to the survival of the regime was underlined when large amounts of cohesion funds were frozen as part of ongoing rule of law disputes: the forint's exchange rate rapidly deteriorated, constructions were halted country-wide and the government was forced to borrow at highly unfavourable rates on the international market, steadily raising the very sovereign debt it had taken such pride in reducing.

Deepening integration:

Homo Brusselicus and the pride of Hungarian industry

During the past decade, Orbán has styled himself as the relentless defender of national interests and the frontiers of White Europe in the face of Homo Brusselicus, of globalists, of shadowy cabals involving refugees, gays, and warmongers. But his rule has not been simply enabled by canny domestic manoeuvring and EU funds. For all the national sovereignty talk,

his governments have overseen a deepening of the country's dependent integration into global supply chains. His regime has in effect established a two-tier system: on the one hand, state intervention in sectors with little export value such as banking, telecommunications, and energy have allowed the emergence of a national capitalist class deeply wedded to the government. On the other, the regime has facilitated and profited from the expansion of — predominantly German— manufacturing to the region during the 2010s. As such, the EU's lenience regarding Hungary cannot be separated from the government's deep ties with German industrial actors, whose interests have been advanced by the CDU-CSU, and by extension, the European People's Party, the EP's most significant grouping.

Faced with increasing competition — predominantly from East Asian manufacturers — Germany's automotive industry pursued an aggressive relocation strategy in Eastern Europe during the past decade. Pliant local governments, subsidies, low labour costs, and the convenient presence of EU funds earmarked for local infrastructural development have allowed a significant ramping-up of nearshored production. The example of Audi is telling: speaking in June 2020 at a company plant in the western town of Győr, Orbán called it 'the pride of Hungarian industry' and ensured it would remain open throughout the pandemic, even as strict lockdowns were enforced country-wide.

By the time he made his June 2020 announcement, the Orbán governments had already awarded sizeable direct subsidies to Audi on six occasions. The factory was established in 1998, but it has significantly ramped up production since Orbán's post-2010 return to power, producing its 2 millionth car to much fanfare in 2023. The direct subsidies did not arrive in a vacuum: at 9%, the Hungarian corporate tax rate is the lowest in the EU. With subsidies and various forms of government support, the effective rate paid by companies such as Audi is closer to 3.6%. During the 2010s, the 'pride of Hungarian industry' generated 5.7 billion euros profit for its German-based headquarter; 5.4 billion was siphoned out of the country and directly paid out to its — overwhelmingly German — shareholders. Despite employing more than 10 000 workers in Győr, only a fraction of the factory's hundreds of suppliers are in Hungarian ownership. When Volkswagen (Audi's parent company) faced its diesel emission scandal in 2015, it emerged that many of the faulty engines had been produced in Hungary. In the following months, the Hungarian government went to great lengths to shield the company on a European level. German car manufacturer grandees have been reported to brag about their direct access to the PM. In turn, Hungary has emerged as one of the biggest clients of the German defence industry these past years; as Hungarian army patrols enforced strict covid lockdowns through 2020 and 2021, many of the weapons on display were made in Germany.

Hungary's deepening integration into these industrial production chains has deeply reshaped labour law and relations in the country. Over the past fifteen years, the number of workers employed by temporary work agencies has increased five-fold. Striking for public sector workers has become near-impossible. The 2018 'slave law' allowed up to 400 hours of overtime and up to three years of delay for salary payments. These changes are not sui generis; they are the outcome of an overall framework pioneered and enabled by the EU, which caters to Germany's export-led economy, and in which countries such as Hungary

serve foremost as cheap, disposable manufacturing sites, and as the providers of a mobile, flexible labour force.

A new frontier for a new green deal

In the past years, the Orbán regime's growth model has largely unravelled. But shifts in both EU and global investment patterns, the implementation of the EU's 'Green Deal' and the rise of industrial frameworks for the 'green transition' have allowed it to move towards a new cycle of accumulation.

Since the pandemic's start, the halting, piecemeal freezing of EU funds has jeopardised Orbán's economic model; continuous emigration has imperilled demographic stability; the lack of investment in healthcare, basic infrastructure and education has fermented a deep rumbling of domestic discontent. From 2022 onwards, the Central Bank drastically raised interest rates; the government reduced much of its 'pro-natality' tax breaks, and substantially scaled down the household utility support scheme that had been its most popular policy. Inflation spiralled out of control. And yet — the rise of industrial investments linked to the green transition have given another lifeline to the government. By 2024, the country had emerged as Europe's second biggest site of electric battery production.

As most shifts in Hungary's post-89 history, this latest one has also been driven by external forces: the EU's 'Green Deal' and the rise of East Asian electric battery manufacturers. What has been touted as the EU's flagship environmental policy remains in effect a derisking framework which offers price signals in lieu of a coordinated industrial strategy. The outsourcing of investment decisions to private actors has in effect meant that EU funds earmarked for 'the green transition' have allowed transnational corporations to further harness European integration to their benefit.

The Hungarian government has also sought to turn this situation to its advantage, betting simultaneously on its relations with East Asian partners and the EU's strategic weakness — and subsidies. Within a few years, electric battery plants constructed almost exclusively by East Asian firms have popped up country-wide. This development largely occurred outside the official remit of the EU's Green Deal funds, but Western manufacturing companies have largely profited from it — just as their Hungarian factories have profited from subsidised Russian gas or recently established Chinese-built photovoltaic plants. In turn, European companies have recently started to catch up, with numerous investments buoyed by EU funds planned throughout Hungary.

The actual reality of these battery plants reveals the true face of a market-driven 'transition'. Established without the consultation or approval of local communities, shrouded in secrecy by government contracts designing them as areas of 'national interest', they have been shown to significantly pollute local land and water. Working conditions have been described as harrowing, with workplace accidents — and even deaths — a regular occurrence. The workforce has been increasingly provided by workers from the Global South on fixed-term contracts, making labour organising — or even oversight — particularly difficult. Just as with traditional car manufacturing, profits have not been redistributed locally,

nor has this development contributed to an upgrade in Hungary's position within value chains. The outcome of the EU's green policies have thus had a triple effect in the country; worsening labour conditions, polluted aquifers and soils, a strengthened Orbán regime.

A small country with a big blueprint

Twenty years after Hungary's accession to the EU, support for membership remains high in the country. Opposition parties vie amongst themselves to prove their 'pro-European' credentials, arguing over who would be the first to introduce the euro. And yet — the absence of wider commemoration or celebration upon the twentieth anniversary reflects a deeper malaise regarding the way integration has unfolded. Even the most pro-EU commentators noted with a certain bitterness the failure of the expectations that had surrounded 2004. (Only a few Hungarians ended up opening pastry shops in Vienna.)

The preceding pages sketch a trajectory that fits neither into the government's cynical line, nor into the liberal fantasies of an EU destined to undo Orbán's reign. It underlines that

the way European integration actually unfolded was key to the creation of the unequal, crisis-prone society that emerged in Hungary during the 90s. Later, EU institutions played a decisive role in the catastrophic response to the economic crisis of the late 2000s, which paved the way to Orbán's unchecked accession to power. These same institutions have facilitated his regime's enduring rule; today, they are promoting industrial policies enacted in the name of a green transition which reinforce structural inequalities, short-termism and the centralisation of power and profit.

Hungary's trajectory cannot, of course, be solely blamed on the EU's interventions; the failures of Janša or PiS to entrench similar hegemonies in Slovenia and Poland underline the specificities of the Hungarian case. But this does not mean it should be treated as exceptional. Orbán's government has provided a blueprint for 'illiberal' governance worldwide; the periphery has in effect started restructuring the centre. Since 2015, his regime has played a decisive role in shifting the EU's position on refugees and migration, normalising the elevation of hate speech to the level of policy. From an economic perspective, his project has proved that state capacity and interventions can be strategically wielded even as the core of neoliberal governance is left untouched. While he might seem increasingly isolated within the EU, his regime's basic tenets have been basically upscaled Europe-wide. Brussels' condemnation of Orbán's dalliance with autocrats has little credibility given the Union's own partnerships with el-Sisi or Aliyev; its call for free speech in Hungary only expose its double standards when it comes to the crackdown on pro-Palestinian voices; his labelling as a far-right exception loses credence in the face of the elevation of Meloni. For all of Orbán's perceived isolation, his politics have already occupied much of Brussels.

Orbán's rise might have been enabled by the EU, but it is also a symptom of the left's failure to offer a strong alternative to globalised neoliberalism; to articulate a coherent vision after the Great Financial Crisis; to offer a viable political project in regards to state and transnational power; to organise politics guided by internationalism and solidarity. It is crucial to understand the detrimental role played by European institutions in our current

predicament — but this does not mean that what might lay outside of them offers a ready or desirable fix. It is up to us to organise a positive response to this bind.

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