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Hungarian

Security Policy Dialogue



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Foreword

Dr. Péter Tálas, Director, Institute for Strategic and Defense Studies

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Since the end of the Cold War and the collapse of the bipolar world order, German–Hungarian bilateral relations have offered us a list of exciting episodes with several ups and downs. Starting from the firm foundation of wishing to end the decades-long division of Europe, Berlin and Budapest might have disagreed on some issues over the past three decades, but there is no doubt that the two countries are tied together through a complex web of political, economic, cultural, as well as security and defence policy relations, that have deepened in recent years to unprecedented levels in modern times. Yet, discussions among policy experts have remained sporadic and less visible, especially in the field of security and defence, leaving the opportunities offered by *track two diplomacy* somewhat untapped. This is the main reason why the Institute for Strategic and Defense Studies and Konrad Adenauer Stiftung Budapest decided to fill in this gap through initiating the German–Hungarian Security Policy Dialogue in 2021.

Within this joint endeavour we have had three main goals. First, we intend to establish a platform for dialogue between German and Hungarian policy experts. Second, we aim to contribute to enhancing German–Hungarian security policy relations. And third, we wish to support and facilitate cooperation as well as foster mutual understanding between the two sides. We deem these steps necessary to truly expand and deepen bilateral security and defence policy ties. A constructive and free dialogue is a precondition of this process, and we offer a tool to broaden such a dialogue on the policy expert level through this brief volume.

The authors of the current volume discuss five topics from German and Hungarian perspectives. These include the analysis of historic perspectives on German–Hungarian relations since 1990; the evaluation of European and foreign policy aspects of the Merkel era; the assessment of the prospects of German–Hungarian relations; the analysis of the strategic situation of the European Union; as well as the evaluation

of German–Hungarian defence policy relations. We are convinced that the short essays presented here will help us understand the various viewpoints, around which the German and Hungarian perspectives converge and diverge.

We hope that this volume will be a first step of a longer cooperation not just between the Institute for Strategic and Defense Studies and the Konrad Adenauer Stiftung Budapest, but also among a wider group of German and Hungarian security and defence policy experts, whose work is essential for enhancing our mutual understanding and building consensus between our countries.

German-Hungarian Relations: Summing Up the Last Three Decades, Looking to the Future

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Since 1989, German-Hungarian relations have undergone various transformations. They have become more and more intensified and diversified. This holds true particularly for cooperation, in context of economies, societies or in the areas of research and culture.

At the same time, political relations have developed in a different way – with periods of collaboration and phases of conflict. In the years after the end of communism and the Soviet power bloc, German-Hungarian relations were full of hope. After that a period of Europeanization marked by soberness and first doubts emerged. Then, both countries embarked on a road defined by substantial differences with ongoing linkages, which is basically a stage of confrontational cooperation.

1989 and the Founding Period: A Promising Start with Far-Reaching Hopes

For Germany and Hungary, the end of communism opened a period of great expectations and far-reaching hopes. The dismantling of the Soviet power bloc and the process of reforms in Hungary and the unification of Germany brought enormous challenges but also unprecedented opportunities. At the very outset of the new period stood a moment of particular closeness, which soon gained a high symbolic value. The opening-up of the Iron Curtain by Hungary and the role of Eastern Germans, for whom Hungary emerged as a gateway to the West, i.e., the “*Pan-European Picnic*”, soon became a sort of founding myth for the new German-Hungarian relations.

Hungary seemed better prepared than many other countries in Central Europe, since it could build on an economic model with cautious market elements and first contacts to Europe’s political structures. In Germany,

Hungary – together with the Czech Republic – was soon perceived as a frontrunner of reforms. Another factor also boded well for mutual relations. The shadows of history were by far shorter than in the case of Poland or Czechoslovakia (the Czech Republic). German guilt and responsibility during the Second War and questions like expulsions, border issues or the so called Beneš decrees are not comparable to what happened between Germany and Hungary during the war and afterwards. Hence, relations were less historicized than in the case of Germany's interaction with Poland or Czechoslovakia. Moreover, geopolitical relations (particularly relations with Russia, where Germany's pragmatic posture often contrasted with the call for a tough course) were not as salient as with Poland or the Baltic States. Buttressed by valuable personal ties, e.g., between Helmut Kohl and József Antall, a new network of contacts arose and relations apparently entered a highly promising era.

Anchored in the Frameworks of the West

When the European Community agreed to make its prospect of opening up to new applicants more palpable, preparation for membership, the accession process and later on Hungary's membership in the EU became the central hallmark for German-Hungarian relations. Mutual cooperation was more and more installed in the multilateral European context. Not downplaying the demanding "*entrée*" of Hungary in NATO (Hungary as a new member state of the alliance, becoming a frontline state that had opened its air-space for NATO aircrafts, despite having a numerous minority in the Serbian Voivodina), it was particularly the process of accession and then Hungary's membership in the EU, which showed the ambiguity of Europeanization – also and especially for relations with Germany: The common EU membership means more proximity and additional connection, but it can also be a source of contention.

First disputes became visible during accession negotiations, when transition periods for opening the labour markets of old member states or the acquisition of land in future member states were controversial matters. There is no doubt that these issues, which were formally European

issues, had tangible bilateral elements. But it appears that many of these sensitive questions, had rather a German-Polish than a German-Hungarian edge. This also resulted from Poland's fierce defence of national interests in the EU, even before it became a formal member of the club. Poland's resistance against treaty reform in order to introduce the so-called double majority in EU decision making – a project Germany and France had been supporting – in some moments seemed to boil down to a German-Polish clash. German-Hungarian disharmonies were less dramatic. Also, when it comes to European security, relations were less troublesome. Although Hungary's then prime minister Péter Medgyessy (just like his Polish colleague Leszek Miller) signed "*the letter of the eight*", endorsing US action in the Iraq crisis, and even though Hungary also co-sponsored the statement of the "*Vilnius-group*", Hungary did not establish a "special relationship" with the US, which – for the then German government – inserted a wedge into European unity.

Hungary's accession to the EU and common membership in the community reinforced bilateral bonds. One might argue that German-Hungarian relations were catalysed by Europeanization. The prospect and then the fact of accession meant deepening and widening of bilateral cooperation: not only in the economic area, but also in research and science, in culture, when it comes to exchange programs between regions and municipalities. With regard to economic cooperation, a model of asymmetric interrelationship emerged. Growing trade and investment, but also a specific division of labour – with Hungarian companies only slowly overcoming the role of suppliers or low-cost production sites for German industries – were the hallmarks of that pattern. However, in a way a sort of "*partnership for modernization*" came about: The Hungarian economy contributed to the competitiveness of German businesses. German presence contributed to the restructuring of Hungary's economy.

But the common EU membership also brought new challenges. At some moments the question of Hungarian minorities appeared. Potential tensions between Hungary and neighbouring countries (EU members and non-EU-states) from then on have become an EU issue. Although the EU membership of Hungary and some of its neighbours, like Slovakia and

Romania contributed to the easing of the minority issue as borders lost their dividing characters, creating specific ties with Hungarians abroad (e.g., through the double citizenship) or other topics were bones of contention with some countries in the region. Nonetheless, minority-related issues were not in the centre of Germany's attention with regard to Hungary.

What turned out to be more important was the financial crisis. At the end of the first decade of the new century, Hungary was in dire straits concerning public finance. Together with Latvia and Romania, Hungary received balance-of-payment assistance from the EU and the IMF. Apart from the fiscal and economic problems this meant that Hungary in the perception of many in Germany had fallen from a role model of economic reform to a problematic case, which required external support and stabilization efforts.

Cooperation and Rivalry since 2010

The Hungarian elections of 2010 were also a caesura in German-Hungarian relations. In a nutshell, the mutual relationship since then has been one of paradox polarities: of growing cooperation and increasing strains, of affiliation and alienation. Since 2010 particularly three developments could be observed.

First, domestic issues played an increasing role in bilateral relations. Questions like Constitutional reform in Hungary, the development of the media landscape in Hungary or the situation of NGOs were closely followed by German media, the public and they regularly became issues in the domestic debates in Germany – particularly with regards to the ties of Christian Democrats with Fidesz in the EPP. At the same time, Germany, its role in Europe and its behaviour vis-à-vis Hungary emerged also as an important topic in Hungary.

Second, on the level of the EU, German-Hungarian relations appeared to be a face a number of conflicts. Issues like migration or rule-of-law have been dominating the bilateral agenda in a European context. Since there is also a growing divergence on the future development of the EU, areas of closeness like the single market, industrial policies or competitiveness have been overshadowed.

Third, the economy has continued to be a solid foundation, but only a limited stabilizer for bilateral relations. Even though there have been some misgivings from German companies – beginning with the imposition of special taxes of the Fidesz-government in the context of fiscal consolidation measures after 2010 up to complaints of some companies in the services sector – overall the industrial and economic ties are of key importance for the Hungarian economy and for some German businesses. Huge armaments contracts, with Hungary having been the biggest destiny for German arms exports in recent years, include more of a political dimension, and were a sort of solidifying element in the political setting.

In sum, a deep crisis of mutual expectations emerged. Germany wants Hungary to act in a “*European*” way, Hungary wants Germany to accept its understanding of a more decentralized model of the EU. What complicated the situation was that socio-cultural differences translated into conflict on the EU level and between Germany and Hungary. For the time being, the crisis of expectations and trust could be buffered by a pragmatic course of the German government, which despite heavy disputes has always supported an agenda of unity of the EU, trying to avoid the emergence of new dividing lines.

Challenges for the Upcoming Years

After 1989, German-Hungarian relations have been characterized by an unprecedented intensification of cooperation and mutual interaction. Both countries are closely intertwined through a variety of bilateral societal bonds and economic ties, but also through manifold political contacts as well as high level mutual attention devoted to the developments in the other country. At the same time, both countries have experienced considerable disputes. These frictions had to do with substantial differences resulting from divergence in domestic politics, European affairs, and foreign policy. It appears that since 2010 this particular combination of ever closer cooperation and growing discord has become the main feature of bilateral relations. There are not many bilateral relationships in the EU with this ambiguity. Maybe, currently Germany and Poland are

another rare example of such a constellation. The good news about this situation is that even though conflict has “*hijacked*” the political debate, de facto mutual relations have developed significant resilience: whereas the media or domestic political debates in both countries portray Germany and Hungary as a couple being at odds in all areas, in practice a situation of cooperative rivalry has emerged. In other words, the steady state of bilateral relations since more than a decade is not disconnection, but the ambiguity of clashes and collaborative interlocking.

Bearing in mind the developments since 1989, the future of German-Hungarian relations might face three broad challenges. The first challenge lies in the realm of economic affairs. Notwithstanding a number of disputes, overall, trade, investment and businesses have consolidated the shaky political relationship. Hence, the economy acted as a stabilizer of bilateral relations. Given the huge adaptive pressure on core economic branches in both countries, particularly in manufacturing related businesses, economic issues can turn out to be divisive. The processes sparked by digitalization and decarbonization can complicate the functioning of core elements of bilateral economic relations, such as the automotive sector. The restructuring of industries can also put strain on relations, for example if governments decide to follow different pathways in climate policies or in case the adaptation of industries will evoke sectorial crises and job-losses.

The second challenge has to do with the further development of the EU. If the majority in the community ceases to set aside the finalité question and reinforces political convergence without countries and governments opting for a more decentralized model of European politics, the maintenance of EU unity might lose its function as an overarching objective ensuring a basic level of German-Hungarian togetherness. If Germany inclines towards scenarios of flexible integration and Hungary defends a sovereignty-based architecture of the EU, i.e., if both countries move away from pragmatism and become more values-based, the defence of a functioning single market remains one of the few areas creating the glue for relations in the European context.

A third huge issue will be relations of the EU with third countries in an era of great power competition. So far, Germany and Hungary pursued a rather

realistic and pragmatic approach – of course based on quite differing paradigms. Germany has promoted the principles of multilateralism, but it has also resorted to mini- and plurilateral settings or even to bi- and unilateral actions in order to advance its interests. Hungary, at least since 2010, has “*supplemented*” in the frameworks of NATO and EU and other international organizations by a diversified and multidimensional foreign policy. This policy emphasizes economic relations and considers relations with China, other Asian countries or Russia as beneficial for the country’s growth and competitiveness (e.g., by gaining access to markets or cheap energy). At the same time, this approach serves also as a tool for counterbalancing a perceived hegemony of “*Brussels*” or Western partners. Given this, one of the key questions for mutual relations between Germany and Hungary is how to deal with external powers: By being more consistent in questions concerning human rights and containing their global influence and their leverage in Europe – a tendency, which has become more visible in Germany? Or by decoupling economic cooperation from value-oriented aspects? Here, a reinforced dialogue on possible risks of growing third-party economic presence for European sovereignty and national security might help to limit increasing dissonances between Berlin and Budapest.

Historical Lessons of Hungarian-German Relation from the Regime Change to Present Day

Dr. László Kiss J., Emeritus Professor, Corvinus University of Budapest

Regime Change and Bilateral Relations – Germany as Hungary's Patron

My starting point is the result of the regional emancipation process in terms of East-West détente which culminated, on the one hand in German unification, on the other in Hungarian border opening and regime change. There were no open issues in German-Hungarian bilateral relations and at a rare short historical moment Hungary had a catalytic effect on German unification process not only as a regular policy taker, but also as a policy maker.

Between 1990 and 2004 and beyond, an essential and striking feature of German-Hungarian relations was the high-degree of continuity due to the prominent role of economic relations in terms of an increasing (asymmetric) interdependence as well as pragmatic thinking, and, last but not least due to shared interests and values. Economic relations have always served German interests as well, but Germany has never acted as an economic hegemon that dictates conditions unilaterally. A feature of continuity was that the new national-conservative political class, like the previous reform communist one, did not cease to consider the bilateral relations as one of the most important external sources of Hungarian modernization. Despite the repeated rhetoric of need for diversification, the prominent share of German-Hungarian economic and technical relations always played a system-stabilizing function, regardless of the governments in power. In this way, bilateral relations were perceived nearly as de facto part of Hungarian reason of state, due to their role in modernization and economic growth, while no other country was able to approach Germany's weight in Hungary's economic relations. However, it cannot be ignored that at the very beginning

there were also different perspectives, emerging from history, especially with regard to the perception of nation and national minorities.

There was no doubt that Hungary would remain a Germanophilic country in the long run, as evidenced by a number of facts, ranging from the founding of German-language Andrásy University to the support of German activities in post-socialist transition. Hungary was celebrated as a political actor that opened the borders and paved the way for German unification, while Germany was perceived by Hungarian politics as Hungary's most important Western patron and strategic partner, one of the main supporters of Hungary's Euro-Atlantic integration. In this way, the issue of Euro-Atlantic multilateralism was also on the agenda of Hungarian-German bilateral talks. In other words, there was multilateralism in bilateralism as well. Despite all efforts, however, Hungary had to recognize, in line with geopolitical realities, that it could not be Germany's number one partner in Central and Eastern Europe. Helmut Kohl had promised Hungary's accession to the EU by the mid-1990s, but Hungarian politicians had to experience that accession could only take place a decade later and in a larger group format.

In his remarkable study András Hettyey characterized the bilateral relations between 1990 and 2002 in such a way that Hungary was in a much more favourable position than at any time in the 20th century: there was neither "*too little*" nor "*too much*" of Germany to be feared. Even if Germany was Hungary's most important bilateral partner, it could not have been possible to speak of "*German hegemony*" in the post-1990s. The multifaceted relationship between the two countries could best be described as "*fair*".¹

The Source of Different Perceptions: the Concept and Role of Nation and Nationalities

As in the past, so today, differences of opinion and different approaches come from divergent and diverse historical perceptions of nation and national minorities that directly-indirectly run as red thread in wide range of debates, from minority policy to migration and the future of the EU.

¹ András Hettyey: Hegemónia helyett. Magyar-német kapcsolatok 1990-2002 között. (Instead of Hegemony. Hungarian-German Relations between 1990-2002. L'Harmattan, Budapest. 2019. pp. 215-231)

The German mainstream politicians left no doubt that the German reunification within the framework of the EU could not mean a return to the traditional nation-state. In Hungary, the return of the sovereign nation-state after almost 50 years was celebrated as a precondition for integration. The national-conservative approach to nation includes the agenda of minority protection and nation-building, based on the recognition of the territorial status quo and the cross-border existence of the Hungarian cultural nation. This approach comprises the political demand that in addition to foreign policy, there should be a “*national policy*”, related to the Hungarian nation as a whole. Furthermore, this approach includes the constitutional responsibility of the Hungarian state for Hungarian minorities living across the borders as well as the transnational relations of diverse non-state actors.

For historical reason, Germany successfully eliminated the concept of “*nation*” from its history and replaced it with the “*post national*” and the “*normative Europeanness*”. In contrast to the German case, Hungary like other Central and Eastern European countries, could really start nation-building and accession process to the EU as a nation state only after the collapse of Eastern bloc and the regime change. From the beginning, the nation-building process was linked to region-building, which received new impetus in the 2015 migration crisis and took the form of regional cooperation among the Visegrad states, just like prior to their EU membership.

In contrast to Hungarian politics, German politics lack a dimension that would apply to the German nation as a whole. Before 1989 the Federal Republic favoured a policy of buying out people belonging to the German minority in Romania. After the unification, in the wake of Merkel’s 2015 decision to open the borders to mass and uncontrolled immigration, Germany took a sharper turn than ever before: Germany explicitly started to pave the way for an immigrant multicultural society.

Despite the different approaches the conclusion of the Hungarian-German Basic Treaty proved to be commendable even today. In 1992, The Hungarian-German Basic Treaty pioneered the protection of German minority and its identity in Hungary. Nevertheless, in the event of minority conflicts, Germany refrained from acting in favour of or against one or the other party. In addition, Germany did not support collective minority rights and

efforts to establish minority autonomy, as well as benefits for minorities such as those provided for ethnic Hungarians beyond the borders in Hungarian Status Law of 2001. Instead of this, Germany's emphasis was on stability, restraint and, in the case of minority rights, on documents such as Paris Charter, the CSCE Copenhagen criteria and the generally accepted standards of the Council of Europe. It is a positive development that the position of the two countries with regard to the minority SafePack initiative was essentially the same.

Going Separate Ways – Disagreement in Managing the 2015 Migration Crisis

The differences between the two countries are more pronounced and tangible, if we take a cursory look at the migration policy. In 2015 Hungary was affected directly by the massive influx of refugees and migrants, to such an extent, that led to a humanitarian emergency without precedent. Chancellor Angela Merkel decided to open the German borders to mass and uncontrolled immigration, driven by the generous intention to alleviate the extremely precarious situation in Hungary. Although German migration policy has changed a lot in the meantime, it was at the beginning quite obvious that Merkel's approach to migration was based on the idea of "open borders". Merkel's approach well illustrated the globalist-federalist idea that borders had lost their significance and the history was moving towards a world in terms of "no borders, no nations". Merkel also supported the distribution of refugees among member states on the basis of mandatory quotas in the spirit of European solidarity.

In contrast to this, the sovereignist Hungarian position emphasized that instead of mandatory quotas, each member state must decide for itself whom its population wishes to live with. Thus, it was not surprising that Hungary decided to build a fence at its southern borders in order to prevent the uncontrolled influx of illegal migrants. In Merkel's policy many saw the moral plan of "saving" the entire world, while for Merkel, this policy was an expression of "good Germany" as a normative "humanitarian great power" that should be followed by other countries. It was no coincidence

that Merkel's policy evoked the spirit of "*German hubris*", as the Hungarian Prime Minister similarly spoke of "*moral imperialism*" when he visited Horst Seehofer, the former chief of Christian Social Union, who was in dispute with Merkel over refugee policy at that time.

In this situation tensions developed in a specific area of Hungarian-German relations that were previously completely unknown, and the debate even extended to issues such as the future role of the EU. From the Hungarian government's point of view, the Commission can rightly be criticized for using successive crises, such as the refugee one, as a means of extending its legal practice to the competences beyond its scope as defined by the European Treaties. Merkel, on the other hand, took the view that, a Union operating continuously in crisis mode, had no choice but to maintain its capacity to act, which will inevitably require the extension of the Union's legal practice to areas not covered by the Treaties, ranging from migration to the new types of financing European economies and introduction of majority voting in foreign policy etc. According to the sovereigntist approach, in line with the Hungarian position, the existence of strong and functioning nation-states and the effective protection of the Hungarian and European borders must be the way of dealing successfully with the challenge of mass and illegal migration and these are also prerequisites and proof of European solidarity.

Economic Relations as a Success Story and Subject of Controversial Approaches to Modernization

In the light of the last few years, German-Hungarian economic relations are both a success story and the subject of controversial approaches to modernization at the same time. The well-known narrative is still present in the discussions that bilateral economic relations can be seen as one of the most important sources of Hungarian modernization, no matter which political forces are in office. Contrary to the consensus of previous decades, in the debates of the last few years, the political influence of the German car industry, and thus the system-stabilizing function of bilateral economic relations has become subject of criticism.

The easiest way to present the problem is to quote the former Hungarian ambassador to Washington, who expressed the problem as follows: *“Unfortunately, when Germany is faced with the choice between support for freedom and democracy or its economic interests, Germany repeatedly chooses its economic interests.”* Furthermore he concludes that Germany bears some responsibility for the *“near-collapse”* of democracy in Hungary and, what is more, Hungary has become the *“mere assembly-line for the German automotive industry, which has an outsized influence on politics in Berlin.”*² Other authors emphasize that in the modernization process dominated by the German automotive industry, only limited Hungarian added value will be created, and concludes that this development strengthens Hungary’s semi-peripheral position and weakens Hungary’s chances of catching up with advanced EU members. In the debate, the argument also arises that the economic dependence on Germany is not limited to bilateral trade. Trade between German companies in Central Eastern Europe also indirectly increases dependence, even if trade between German companies is included in official statistics as Hungarian or, for example, as Hungarian-Polish foreign trade. Part of this narrative is also the statement that the transformation of Hungarian industrial and social policy was in fact tailored to the needs of German neo-mercantilist model that developed in the mid-1990s.³

During Merkel’s visits to Budapest, there was an expectation in the opposition media that the German chancellor would exercise her influence more strongly on Hungarian domestic policy issues. In the end, it always turned out that the *“economy first”* policy prevailed and Merkel consistently refrained from interfering in domestic affairs of Hungary. In other words, the Hungarian government learned the *“German lesson”* to be followed by all means but at the same time sought to strengthen

² András Simonyi: Hungary is Germany’s ‘China problem’ – and Biden should take note. 01 07 2021. <https://thehill.com/opinion/international/532747-hungary-is-germanys-china-problem-and-biden-should-take-note>

³ Tamás Gerőcs: „Ha Németország tüsszent, Magyarország megfázik” – gazdasági függésünk története. (If Germany sneezes, Hungary will catch a cold – The story of our economic dependence). 02 03 2019. <https://merce.hu/2019/03/02/ha-nemetorszag-tusszent-magyarorszag-megfazik-gazdasagi-fuggesunk-tortenete/>

its sovereigntist position in foreign and European policy, if necessary, in opposition to Germany and the Union, on issues such as migration and the rule of law. Chancellor Merkel's tenure showed particularly well, that, despite disagreement over migration and the rule of law issue, bilateral economic relations and trade flows developed smoothly and reached new records year after year.

The Controversial Image of Hungary: Media Coverage and Public Perception

If we study the reports and comments of the mainstream German media, we easily get the impression that only the bad news can be news on Hungary. In many cases, facts and opinions are difficult to distinguish, the German media seems not to reflect the diversity of opinion pluralism and therefore the reports and comments do not have the necessary explanatory power. Although successful economic relations or cultural events could make the image of Hungary more differentiated, the German mainstream media largely lacks this type of coverage. Additional difficulty is that there is hardly a journalist who had the appropriate knowledge of Hungarian language and history. In a summer interview in 2021, German historian Andreas Rödder aptly described the situation between the two countries as saying that the image of present Hungarian society in German public is the perfect opposite to what left-wing identity represents. Dividing the world into "good" and "evil", the moralizing identity politics have risen to the rank of state-level politics in Germany.

Contrary to all critical depiction of German mainstream media about Hungary, including the negative image of Hungary, the surveys of the German Chamber of Commerce showed that German investors have no problems with the Hungarian political system and are satisfied with tax breaks, non-refundable subsidies, and cheap well-trained Hungarian labour force. In 2019, the survey of Nézőpont (Viewpoint) Institute and the KAS in Budapest showed that the image of Hungarians about Germany did not deteriorate. The perception of bilateral relations between Germany and Hungary proved to be mutually beneficial in both countries: 66% of

Germans and 61% of Hungarians said that bilateral relations had improved or remained unchanged over the past two years.

Such and similar research findings from polls were not really reflected in the German media during the period marked by Merkel's name, just as the positive statements of top politicians did receive only moderate attention with critical overtones. In her speech on the 30th anniversary of the pan-European picnic in 2019, Merkel allowed herself to appreciate the effective use of EU funds in Hungary. On another occasion, Merkel considered Hungarian border protection as useful against illegal migration, just as the Hungarian prime minister called himself a "*castle captain*" on a visit to Bavaria, referring to the fact that Hungary's border is also the border of the EU and Germany. In the area of foreign and European policy, Merkel took a soft position on the rule-of-law vis-à-vis Poland and Hungary: she proposed financial sanctions only in the event of misuse of structural funds.

Conclusion

One way of drawing lessons from German-Hungarian relations is to resort to the Keohane and Nye's theory of complex interdependence. In this sense, the foreign policy by its very nature, cannot be considered homogeneous because it consists of a wide range of issue areas, which means that while in one issue area cooperation and consensus are dominant, in another issue area conflict and disagreement prevail. Based on this approach, conflict and cooperation can coexist and compensate for each other in political practice creating positive strengthening or negative weakening synergies. Under Angela Merkel's 16 years tenure, the two countries had much more in common than what separated them, ranging from Hungary's role in German unification to the stabilization of Central European region in terms of high-level interdependence and geo-economics and to promotion of German culture in Hungary. There are mutually reinforcing new issue areas of cooperation, such as arms procurements/production but also areas such as energy policy, where in contrast to Germany, Hungary gives priority to the energy mix containing nuclear energy. In bilateral relations, the political differences and different approaches

could be compensated by expanding dynamics of economic relations. The continuity and dynamics of bilateral relations have so far proved to be highly resistant to negative trends, although signs of estrangement have also come into view. It is undeniable that the increase in number of conflicts along the continuum of core values between Hungary and Germany strengthens rather than weakens the forces of erosion and estrangement. Therefore, mutual attention and willingness to preserve jointly created values and interests of cooperation are more desirable for both parties than ever before.

The Years of Living Tactically. Angela Merkel's Foreign Policy Legacy

*Dr. Ronja Scheler, Programme Director International Affairs,
Körber-Stiftung, Berlin*

The departure of Angela Merkel from the international stage marks the end of an era. It is very likely that every now and then, when global affairs get heated, we will miss her sober, scientific look at the world and her calm style of policy-making. Especially during the manifold crises that framed her chancellorship, she avoided major fallouts with her matter-of-fact approach to politics, and clearly has done Germany, Europe, and potentially the world great favours.

Crises seem to be the golden (or not so golden) thread of Angela Merkel's years as German chancellor. When she came into office in 2005, the Dutch "*nee*" and the French "*non*" to the proposed EU Constitutional Treaty had just moved the Union into a narcotic state. A few years later, the global financial meltdown and the subsequent sovereign debt crisis pushed the world (and Europe, respectively) close to the financial abyss. Next in line was the violent conflict between Ukraine and Russia that erupted in 2014 and virtually brought back war to the European continent. A massive influx of refugees from Syria and elsewhere into Europe in 2015 provoked another critical moment that Merkel sought to tackle with her atypically impulsive decision to keep the German borders open (while remaining shamefully silent on the ongoing civil war in Syria). With the Brexit referendum of June 2016, the next shock followed suit. Shortly after, the election of Donald Trump as US President produced another resounding crisis, namely that of multilateral cooperation and the liberal West as a whole. Last but not least, the ongoing COVID-19 pandemic once again tested the chancellor's ability as crisis-manager-in-chief.⁴

⁴ Jana Puglierin: The Crisis Manager Departs. 30 06 2021. <https://ip-quarterly.com/en/crisis-manager-departs>

In many of these instances, Angela Merkel appeared like a tower of calm in a world out of joint, who brokered national and international compromises by sniffing out win-win solutions that often helped to overcome deadlocks between opposing camps. This was made possible by her particular style (a welcome counterpoint to the usual machismo of international affairs), but also by her way of keeping all options open as long as she could. Like a poker player, Merkel ensured that all cards remained on the table without taking any chances. Rather than exposing herself with a bold opinion, she stayed low, analysed all options and chose the one that appeared most likely to succeed – an approach that more often paid off than not.

But her strength might also have been her greatest weakness. By preferring tactics over strategy, Merkel's behaviour fell short of decisive and courageous leadership on pressing international issues. Referring to the above-mentioned crunches, she could have used her significant international influence to use the cathartic post-crisis moments to rebuild the global financial architecture, to craft a common European migration and asylum policy, or to initiate reform in multilateral institutions – but she did not. As a result, German and European foreign policy is not up to speed on many global challenges. *"Driving by sight"* (German: *"auf Sicht fahren"*), one of Merkel's favourite creeds, proved insufficient to cope with a fast-paced international environment in which, unlike many of her policies, core tenets have shifted since 2005 when Merkel was elected into office.

Three issues demonstrate this more than any others: the rise of China, the retreat of the United States, and Europe's role in this shifting power constellation. Regarding China, Merkel has increasingly been criticised for her somewhat accommodating approach towards Beijing. China has even been referred to as her blind spot of international affairs.⁵ While she started off from a more hawkish attitude, for instance when she welcomed the Dalai Lama to Berlin in 2008, economic considerations seem to have taken over lately. To be sure, China is Germany's largest trading partner with a bilateral trade volume exceeding those of China with the UK,

⁵ Noah Barkin: AICGS Asks: What is Angela Merkel's Legacy on Engagement with China? 02.07.2021. <https://www.aicgs.org/2021/07/aicgs-asks-what-is-angela-merkels-legacy-on-engagement-with-china/>

France, and Italy combined.⁶ Merkel's analysis that Berlin cannot easily brush off Beijing and that a more balanced approach might be closer to the national interest than an unreserved closing of ranks with Washington thus may well be right. Yet she never elaborated what this kind of in-between policy would entail, what implications this would have for Germany (and the security partnership with the US), and how her long-term vision for engagement with the People's Republic would look like. Keeping all option open, the chancellor missed out on shaping a China policy that is fit for the future.

In light of this strategic vacuum, it was other players who set the tone. First, the German Bundestag forced a more restrictive position regarding the rollout of foreign 5G providers on the chancellor.⁷ The Parliament amended a proposal from the chancellery to being more restrictive and *de facto* excluding non-trustworthy providers from China, such as Huawei. Second, the European Parliament (EP) blocked the EU-China Comprehensive Agreement on Investment (CAI) which would have facilitated trade and investment between the EU and China. Merkel was among the figures who pushed for a conclusion before the general elections in Germany. But the EP thwarted these plans by not ratifying the deal because of Chinese sanctions against European parliamentarians and think tanks.⁸ Observers do not expect the CAI to be concluded any time soon (if ever). In both instances, Merkel's initial position suffered a defeat.

The retreat of the US from the global stage is, in many ways, the other side of the coin to a rising China. Faced with severe challenges at home, US administrations have increasingly focused inwards. The reduced international engagement has been shifted from Europe and its neighbourhood to the Indo-Pacific region. While the years of the Trump

⁶ Torrey Taussig: AICGS Asks: What is Angela Merkel's Legacy on Engagement with China? 02 07 2021. <https://www.aicgs.org/2021/07/aicgs-asks-what-is-angela-merkels-legacy-on-engagement-with-china/>

⁷ Laurens Cerulus: Germany falls in line with EU on Huawei. 23 04 2021. <https://www.politico.eu/article/germany-europe-huawei-5g-data-privacy-cybersecurity/>

⁸ European Parliament Press Release. MEPs refuse any agreement with China whilst sanctions are in place. 20 05 2021. <https://www.europarl.europa.eu/news/en/press-room/20210517IPR04123/meps-refuse-any-agreement-with-china-while-sanctions-are-in-place>.

presidency were extreme in his rebuffing of international organisations and allies alike, they were also an expression of a broader trend that had started under the Obama administration and finds its continuation under President Joe Biden. It was however the rhetoric and policies of Donald Trump that forced the Chancellor's strongest reaction: In her now famous 'beer tent speech', she claimed that "*the times when we could completely rely on others are somewhat over*".⁹ Again, Merkel was right in her analysis, namely that the US would withdraw their attention from Europe. But words were not followed by deeds.

Like with her wait-and-see approach to China, Merkel never spelt out and implemented a vision for the (more balanced?) future of transatlantic relations. After the election of Joe Biden, she neither revoked her earlier statements, nor did she make an offer for a renewed transatlantic partnership (and yet again, she may well be correct in her reading that the US might not be as "*back*" as many Europeans had hoped for). Domestically, she could have used the speech in Trudering as a starting point to forge ahead with further developing German defence policy. While the country moved closer to the 2 per cent commitment inside NATO during her chancellorship, Merkel forfeited to deploy her *Richtlinienkompetenz*, i.e. the chancellor's power to set the guidelines for any type of public policy, to initiate further-reaching updates to the role of German armed forces in the world. It is at least notable that she never really responded to the 2014 Gauck-Steinmeier-von der Leyen push towards assuming "*more responsibility*" internationally (a recent speech is a remarkable exception, a striking 7 years after the initial campaign), let alone proposed any measures that would have filled this claim with life.¹⁰ Referring to her earlier quote, the chancellor let us in the dark how, in her view, Germany and Europe could get ready *not* to rely on others, i.e. how a more strategic and capable European foreign and security policy would take shape. While

⁹ Bernd Ulrich: Her Long Road to Trudering. 02 06 2017. <https://www.zeit.de/politik/deutschland/2017-06/angela-merkel-transatlantic-relations-criticism-donald-trump>

¹⁰ Rede von Bundeskanzlerin Merkel anlässlich des Festakts zum Tag der Deutschen Einheit am 3. Oktober 2021 in Halle/Saale. 03 10 2021. <https://www.bundesregierung.de/breg-de/suche/rede-von-bundeskanzlerin-merkel-anlaesslich-des-festakts-zum-tag-der-deutschen-einheit-am-3-oktober-2021-in-halle-saale-1964938>

we know that Berlin does not embrace the Parisian version of European sovereignty, the German idea of a more autonomous Europe remains unclear.

This leads to Merkel's third, and probably most severe neglect in foreign policy, namely her failure to make the EU fit for a future in a more competitive international environment. First, this is true for European Security and Defence Policy, where the above-mentioned idea of a more capable and autonomous Europe was never backed by meaningful action to increase defence capabilities or to integrate European armies under a more unified command. While catering to a pacifist German public with keeping a low profile on security and defence matters, she did the EU a disservice by leaving a void on these crucial questions. Similarly, second, Merkel has never used her instrumental role in overcoming the sovereign debt crisis to complete the Economic and Monetary Union or to future-proof the eurozone. Her imposing austerity politics on the Southern member states who found themselves in dangerous debt spirals back then were in line with what she and her finance minister had defined as the national interest. But they were neither fish nor fowl: Merkel neither pushed through to exclude countries from the common currency, nor did she put weight behind offering a generous bailout or deploying Eurobonds. Instead, she opted for a tactical muddling through that helped overcome the immediate crisis, but did not change things for the better.

Her handling of the European refugee crisis serves as a third example. Keeping the borders open was the right decision at the right time, which Merkel, however, implemented unilaterally without coordinating with her European allies. Her bold move resulted in deepened divisions between Western and Eastern member states, many of which are reluctant to adopt more liberal immigration policies. Most fundamentally, however, the chancellor did not push for substantive advances on a joint European migration and asylum policy. Again, she navigated through the crisis with a steady hand, but she did not use her power to fundamentally update the insufficient political framework partly leading to the intricate situation.

Merkel's inconclusive EU policies are united by two common themes: On the one hand, they are characterised by tactical and reactive rather than bold and daring moves that would have demonstrated visionary leadership.

On the other hand, Merkel's policies seem to have been driven by the German national interest much more than by considerations about the EU's future. While in political soapboxes the value of European integration is a regular theme, reality does not live up to these claims. Notably, one cannot observe a serious domestic debate about how the future of the EU should look like. The persistent status-quo fixation of German politics could serve as explanation for Merkel's unwillingness to use her power as *de facto* hegemon in the EU for fundamental updates, or for crafting a future vision that all member states could subscribe to. This neglect will remain her biggest international failure. Because in a more competitive world, it is essential that Europe takes a united and forward-looking stand. This undertaking must be high on the new chancellor's agenda. It is a tall order, but – to use one more of his predecessor's (in)famous narratives – there is no alternative.¹¹

¹¹ Michael Krämer: There is no alternative! 04 05 2013. <https://www.theguardian.com/science/life-and-physics/2013/may/04/no-alternative-bayes-penalties-philosophy-thatcher-merkel>

Assessing Angela Merkel's Foreign Policy Legacy

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*"Foreign policy is easy."*¹² /Angela Merkel/

To appraise the foreign policy of the 16-year-long tenure of Angela Merkel, one could do worse than to turn to Stefan Kornelius's book on the German Chancellor. Not only because as the long-standing head of the international section of the *Süddeutsche Zeitung*, Kornelius is apt to provide deep insights, but also because his book has been published in 2013, i. e. just around half-time of Merkel's tenure, which means that with benefit of hindsight, the observer at the end of Merkel's era is able to show how durable the observations of the book have been. Kornelius' book will also help to give credence to the two main arguments of this paper, namely, (1) style matters in foreign policy, because it directly affects its substance; and (2) Chancellor Merkel's characteristic in foreign policy has been her ability to manage expectations and be a stable, reliable partner, for good or bad.

"Merkel shapes her world in an analytical way. She weighs up arguments, industriously collects facts, considers the pros and cons. The problem with this dialectical approach is that Merkel would rather find a compromise than give her personal opinion. She is far from impulsive as a politician, and no ideologist", writes Kornelius in the chapter on Merkel's overall worldview.¹³ Her analytical approach has inextricably been bound up with her unassuming, matter-of-fact style among the many alpha men she has encountered along her long political way. Seen from Hungary, this calm, self-effacing style seems like from another world. Also, with the rise of populism over the last few years, it has become increasingly rare, threatening implications for the stability of the European polity.

¹² Stefan Kornelius: Angela Merkel: the Chancellor and her World. Richmond. Alma Books. London. 2013. 85.

¹³ Kornelius, 2013. 63.

These personal dispositions greatly influenced the substance of overall German foreign and European policy. The ways and means through which German foreign policy has handled most of the various and varied crises over the last 15 years have certainly mirrored Merkel's style. From the Eurozone crisis to Ukraine, from the adoption of the Next Generation EU recovery plan to the financial crisis, Merkel and Germany have stuck to their reserved, compromise-oriented foreign policy style and substance. Piece-meal, tortuous negotiations; an awareness of where the limits of the negotiating partners lie; bland but reassuring communication in public; carrot and stick policy; and the occasional use of arm-twisting, where possible without the public humiliation of the other partner, were the hallmarks of this approach.

Closely related to her substance-affecting style has been the other main legacy of Merkel's foreign policy, her ability to manage the expectations of its partners and be a stable, reliable partner. I believe that those of us who are not active politicians tend to underestimate the value of stability and reliability in international politics, whereas the closer you get to the centres of power the more you will find an appreciation of dependability. Germany under Merkel had this competitive advantage over others in many respects. In terms of political stability, Merkel had stable domestic majorities with only one finicky coalition partner in her four administrations; financially, German public debt slumped under 60% by the end of her tenure from a crisis-induced high-point of 82% in 2010; she achieved record-low unemployment and a respectable GDP growth; and, finally, Germany evinced a relatively predictable foreign policy approach.

I think it is safe to say that in most foreign policy matters (be they crisis-like or more iterative), Berlin has been quite consistent and transparent in its goals over the last 16 years. It stood for the imposition of stricter capital rules for banks after the 2007-2008 financial crisis in order to achieve more stability in the international financial system; it advanced structural reforms for Greece and the other problematic countries in the Eurozone crisis while working to prevent their exit from the Eurozone; it was the mastermind behind the strict sanctions regime against Russia as long as it occupies parts of Ukraine; episodes of normativity such as talks

with the Dalai Lama aside, it consistently aimed to maximize trade and investment opportunities as regards China; it made repeated attempts to stabilize the Western Balkans, especially working for a rapprochement between Kosovo and Serbia, and so on. Not for Merkel the volatility of Nicolas Sarkozy, the unpredictability of Vladimir Putin or the radicalness (and occasional trolling) of Jaroslaw Kaczynski and Viktor Orbán. Self-indulgent ego-trips were not Merkels' thing.

I would go even further and argue that this German predictability has been an *international public good* over the last 16 years. Everybody benefited from the transparency of the German position, even in cases where the partners did not see eye-to-eye with Berlin on a certain matter. Sometimes a firm but flexible opponent is to be preferred to an unpredictable ally, whose government might fall any minute or whose short-term interests might get the better of him in the heat of a long night in Brussels. Has Germany been *right* in all its answers to the many challenges it has faced in the international arena? Certainly not, but most of the time it has at least been wrong (or right) in a consistent, predictable manner.

Obviously, no politician has been so consistent or powerful as to be able to apply his/her policy approach all the time. In foreign policy matters this expectation would be especially unrealistic. The major exceptions to Merkel's reliability are cases, where (1) Merkel and Germany have been passive; and (2) where they simply departed from their trusted *modus operandi*. As to passivity, security policy matters such as the EU's and NATO's military operations in the MENA or the nonfulfillment of the 2% defence spending rule of NATO are clear examples for that. Germany's voluntary self-restraint in all matters related to security policy is well-known, but rather than looking for its cause in the Nazi past, I suggest a much more mundane explanation: it is very comfortable not to get too involved in foreign military missions. They are dangerous, voters are prone to dislike them and they do not seem to be very successful (the Balkans aside). However, passivity means only a lack of real German leadership, or at least stakeholderism, not the complete dodging of responsibility: German soldiers have been more numerous in EU and NATO missions than soldiers from countries which do not have Germany's reputation of going AWOL,

such as Spain. But even here, one could argue that German passivity was at least expectable and consistent. And, there was even a time when being unpredictable ended up being the right thing to do: Germany's abstention in the Security Council of the United Nations on Libya in 2011 was seen at the time as back-stabbing and out of line with Merkel's foreign policy style and substance. Turns out, she was right.

It has already been pointed out, that whenever Merkel has departed from her tried-and-tested foreign policy approach, bad decisions have followed. (Actually, this is a rather bland observation: most unprepared decisions turn out to be suboptimal.) Improvisation has never been Germany's *forte*, see the uncoordinated response and the emergence of *ex lex* situations in the aftermath of the 2015 migration crisis. The critique here has not been so much how Germany could let itself be overwhelmed by the sudden influx of people. Rather, how could it allow itself to let the problem fester and not regain control over its borders after an interim period of a couple of weeks? This would have shown both that Germany is a welcoming *and* that it is country based on the rule-of-law, no matter what. Similarly, her decision after Fukushima on dropping out of nuclear power as soon as possible was taken, uncharacteristically, without preparation and consultation with domestic actors and her European partners. The highest electricity price in Europe means that, even today, Germany has to grapple with this rash decision.

For a final point, it is worth going back to the book of Kornelius, where he writes that freedom is at the top of the value scale for Merkel, especially because of her upbringing in the East: "*There is an important message to the world in this experience: a system that prevents men and women from developing freely is neither free nor just. Individuality...is the driving force behind democracy.*"¹⁴ Bearing in mind the problematic developments taking place in the Central and Eastern European region, a Hungarian point of view simply has to raise this issue. Leaving the tedious issue of whether Hungary still is a democracy aside, that much can be said: the circles of freedom and individuality have tightened in recent years, all in the name

¹⁴ Kornelius 2013. 78.

of *“national unity”* and the *“common good”*. But at the same time, Hungary has also been politically stable and welcoming to German foreign direct investment. In this context, Merkel’s (and most of the German diplomatic corps’) silence on these developments is noteworthy, if not surprising. The question is not what she could have achieved by being more outspoken (probably not much), but rather whether she has been able to stay true to her convictions. Leaving the rule-of-law and media freedom issues to her junior coalition partners and Brussels over the years, its testament both to the limits of German foreign policy and to the disadvantages of pragmatism. Foreign policy, after all, is not always easy.

German-Hungarian Cooperation in Foreign and Security Policy – a Rocky Boat in Stormy Waters

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In recent years and months, the German-Hungarian relationship has been highly politicized and conflictual. In Berlin's broader political discourse Hungary has been mostly referred to as violating the rule of law and often-times preventing united European foreign policy approaches. Germany's federal election campaign was exemplary as political party manifestos either did not mention Hungary or presented the Central European country as a problematic partner and foreign policy challenge to the next German government. The Hungarian law from June 2021 passed to ban "*homosexual and transsexual propaganda*", for instance, caused an outcry in Germany.

Of the political parties that are likely to form the next coalition government, the Green party has made the strongest point for a more determined and critical approach on Hungary going forward, as long as a Fidesz government continues to neglect the rule of law. In the election manifesto, Hungary is explicitly mentioned as a country that violates academic freedom. Annalena Baerbock, the Green top candidate for the chancellorship during the election campaign, repeatedly called for immediate sanctions against Hungary – in line with the EU's new rule of law mechanism – and criticized the Merkel government for having turned a blind eye on Orbán's rule of law violations for too long. The Social democrats who came out of the federal elections as the strongest political party did not single out Hungary but implicitly referred to Hungary as one of the EU's "*populist and nationalist governments*". Like the Greens, their election programme stressed the need to strengthen European democracy and to sharpen sanctions against rule of law violations. Similar messages also come from the Liberals as the third likely partner of a potential traffic light coalition government under SPD candidate Olaf Scholz.

Another position that all German political parties from the centre share is the introduction of qualified majority voting in EU foreign and security policy to overcome the big deadlock potential within the EU. Like calls to apply a sharpened rule of law mechanism these considerations refer to Hungary as the elephant in the room. The Hungarian government repeatedly caused irritation in Berlin in 2020 and the first half of 2021 as its veto prevented several joint EU statements; especially ones criticizing China for cracking down on Hong Kong's independence and democracy or a statement calling for a ceasefire in the Middle East. As a reaction to the EU's weak capacity to act, Foreign Minister Heiko Maas argued at the annual German Ambassador Conference that the EU "*can no longer be held hostage by those who paralyse European foreign policy with their vetoes*", clearly hinting at Hungary.¹⁵ For all these reasons, policy makers in Berlin have been cautious to avoid the impression to be too close with or too soft on Hungary. At the same time, Berlin is wary not to risk actively pushing Hungary further towards the EU periphery by pushing for ideas like a "*two-speed Europe*" or "*coalitions of the willing*" as standard mode of EU foreign policy. In this political climate, German-Hungarian relations are off to a rocky start. A new German traffic light government will likely aim to make the EU more capable to act in foreign and security policy, including a coherent European China and Russia policy and sanctioning of human rights violations. EU treaty changes and more power for Brussels will not be off the table. Such an agenda will not offer a lot of common ground with Hungary.

There is however a German-Hungarian cooperative basis that the next German government can build upon to keep the dialogue up and running. In the area of defence and regarding business and trade bilateral relations remain stable. Recently, Hungary has been one of the biggest investors in German defence equipment. Moreover, the two countries share the priorities of strengthening military interoperability and military mobility which is reflected in their approaches to PESCO participation. A second resilient pillar of bilateral ties is trade and business relations. Germany is Hungary's most important trading partner. In 2020, Germany accounted

15 Johannes Leithäuser: Maas will Veto abschaffen. 07. 06. 2021. <https://www.faz.net/aktuell/politik/ausland/eu-aussenpolitik-maas-will-veto-abschaffen-17377491.html>

for around 27 percent of Hungary's trade volume. Germany's automotive industry is widely represented in Hungary. As a result, both countries are faced with similar challenges to strengthen digital tech and green innovation to remain competitive in the automotive sector – especially among small and medium enterprises. Therefore, German-Hungarian relations are strong in the field of research and innovation, close bilateral relations on the ministerial level included. New bilateral projects are emerging and will likely continue to do so going forward in areas like industry 4.0 and AI.

Climate policy is another field with cooperation potential for Germany and Hungary, including the need for far-reaching cross-sectoral transition strategies to meet the goal of becoming climate neutral by 2045 and 2050 respectively. Even though the two countries' strategies on renewable energies and overall energy mixes substantially differ, their strong economic interdependence would benefit from a coordinated messaging. Moreover, the two countries could learn from each other on how structural change can succeed in a socially inclusive, sustainable way.

Moreover, Germany and Hungary have worked together in the field of development cooperation. The project "*sanitation for millions*" is a good model case. German-Hungarian collaboration is embedded in a broader range of partners, working together to promote the fulfilment of sustainable development goals by granting access to clean water, promoting solutions for sewage management and educating girls about menstruation hygiene in countries across the Caribbean, Latin America and the Middle East. With both countries strongly committed to the sustainable development goals, there is potential for further collaborative efforts to share knowledge with and help strengthen resilience in third countries around the globe.

Progress on key policies like EU enlargement and relations with the Western Balkans, however, remains difficult even though Hungary and Germany share the conviction that the Western Balkans should have a clear membership perspective. Unlike other Central-Eastern and South-Eastern EU countries – among them Poland, Slovenia, Austria and Croatia – Hungary is not part of the Berlin Process. The German government has put a strong focus on promoting regional cooperation and interconnectivity among the Western Balkan states and stresses that conditionality including

determined progress regarding the rule of law is non-negotiable. Hungary's endeavours, on the other hand, are strongly centred on Serbia under quasi-authoritarian President Aleksandar Vucic. A majority of EU member states does not see Hungary as an honest broker but rather as a partisan advocate of Serbia's membership in need of more allies of Orbán's EU agenda towards more national sovereignty – and less meddling from Brussels on issues such as the rule of law. Attempts by Olivér Várhelyi, the Hungarian European Commissioner for enlargement, to downplay Serbia's lack of progress regarding the rule of law have added to this image and make substantial German-Hungarian collaboration in this field unlikely in the foreseeable future.

In any case, substantial groundwork needs to be done in adjusting and recreating a solid basis of political ties for Germany and Hungary to strengthen bilateral relations going forward. Leaving the EPP group in the European Parliament in March 2021, Fidesz lost crucial access to the German CDU and CSU. Under a German government without CDU / CSU involvement, bilateral ties will need even more work. In order to enhance cooperation and identify common ground beyond business relations and defence cooperation, relations on all levels will need strengthening.

Sub-regional formats like the Visegrád Group (V4) are one possible channel. Already in the past, German representatives were invited to V4-plus consultation meetings to discuss shared foreign policy challenges and room for cooperation in areas like regional development, innovation and a circular economy. The broad topical range of V4 presidency programmes provides sufficient opportunities for the next federal government to identify common interests with Central Europe, including Hungary. Going forward, the two countries could thus try to make use of the V4 as a hub to develop meaningful joint initiatives to foster innovation or to build up lacking infrastructure. This approach is not only useful for wider Central Europe within the EU but can also support bridge-building towards the EU's neighbourhood. Closely related, exchange and dialogue formats between civil societies should be intensified going forward, making even more use of the German-Hungarian Youth Office or academic ties through Andrásy University.

Another tool worth building upon is urban diplomacy, in order to also strengthen German-Hungarian relations on the subnational level. The two countries already maintain around 200 twin cities. While twin cities and urban partnerships tend to have a dusty image, their potential is distinct. As both foreign policy arenas and actors, towns and cities can support and complement national initiatives, for instance in raising awareness for foreign and security policy risks and opportunities in the population and business sector or in pursuing sustainable development goals.

A lot will depend on the outcome of Germany's coalition negotiations and the result of Hungary's parliamentary elections. In the scenario of another Fidesz-led government that would stick to Hungary's current foreign policy path, would keep its distance from Brussels while being close with Russia and China and would rhetorically attack Berlin when being criticized for rule of law breaches, cooperation will remain compartmentalised and overall limited. In such a scenario the next German government – regardless of the coalition structure – will keep criticizing Hungary for its domestic and foreign policy, while keeping up cooperation in less politicized areas like research and innovation, trade and defence.

Getting Out of the Negative Spiral

– The Future of Hungarian-German Relations

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In many respects, it is not the right time to draw far-reaching conclusions on the future of Hungarian-German relations. A few weeks after the German federal elections on 26 September 2021 and at the beginning of the coalition negotiations, even foreign policy intentions can vaguely be seen, ideas about the European Union appear only at a general level, and positions on particular bilateral relations can only be deduced from some, previously dropped remarks. Additionally, Hungary is also preparing for parliamentary elections in the spring of 2022, the outcome of which may also affect bilateral relations. Uncertainty in European politics, however – which can be traced not only to the volatile domestic political situation in the large and influential Member States, but also to the emergence of far-reaching questions affecting the EU's basic values - can also be felt. Under such circumstances only certain trends can be drawn up; making definite statements is highly risky.

Given the geopolitical determination of German-Hungarian relations, its centuries-old past, and the multitude of historical, ethnic, economic, and social entanglements, the bilateral relationship is characterized by several features that are in no way influenced by political shifts in the short term. At the same time, we can also notice shared interests in the European Union or even global discourse, which – if common sense prevails – will have a positive effect on Hungarian-German bilateral relations.

It is necessary to emphasize the importance of sound judgement because political communication, and consequently the mutual perception of Germany and Hungary have shown a worrying trend over the last few years, which may, despite occasional long-term similarities, adversely affect political action. In the German press, in fact, the negative attitude towards all non-left-wing Hungarian governments since 1990 can already

be taken for granted. However, the tone of Hungarian political discourse on Germany has also changed a lot in the last few years. While Germany is still the largest foreign investor and the most important trading partner, the image of Germany in the pro-government press seems to be a kind of response to the negative news and remarks about Hungary coming from the German media. In addition, it has become common even for leading Hungarian politicians and public figures to make statements in the heat of debates with their German colleagues, or in discussions about German-dominated EU affairs that suggest a strange analogy between today's Germany and the German dictatorial systems of the twentieth century. Meanwhile, the 2017 television debate, in which the two chancellor candidates, Angela Merkel and Martin Schulz, mentioned Hungary and/or the Hungarian Prime Minister eight times in a negative context in connection with EU affairs and the challenges of social integration, also seems symptomatic. It is unlikely that this was a coincidence. Currently, political communication seems to be hindering rather than promoting a rational development in bilateral relations.

Politics

It is widely believed that controversies in the bilateral relations began with the second Orbán government coming to power in 2010. There is no doubt that with the Media Act, some cardinal Acts, clauses of the new Fundamental Law of Hungary and the special tax imposed on banks and some large companies the Hungarian Government managed to antagonize not only the press, but also the owners and political allies of the affected economic groups. However, there had already been a growing confusion in Germany over the policy of the country at the time of the Gyurcsány and Bajnai governments. For Hungarian conservative politicians, the difference in political vocabulary for sensitive concepts such as "*nation*" also constitutes a major and permanent challenge. What to a Hungarian audience does not seem to be radical right-wing wording often appears to German-speaking people as an anachronism evoking darker times. If the current governmental majority in Hungary remains in power in 2022,

and in Germany the “*traffic light coalition*” constitutes the federal government, the “*ideological struggle*” will obviously continue, possibly even at a higher level. If, as can already be seen, the new German government moves in a more liberal direction on drugs, euthanasia, multiculturalism or gender issues, there is no doubt that this will be sharply criticized by the Hungarian pro-government press

It is also clear that the issue of the rule of law in EU context, and the debate between “*sovereignists*” and “*federalists*”, which has a much broader impact on the future of Europe, are also more acute in the bilateral discourse. Unfortunately, in addition to the ideological differences between the governing coalitions, the fact that having left the EPP, the Fidesz has almost no institutional relationship with the CDU/CSU, is also a negative factor. Fidesz will certainly continue not to seek contact with the AfD, but the conservative personalities recently invited to Hungary will not have a positive effect on bilateral relations either – regardless of their professional excellence and the acceptability of the ideas they represent.

A possible election victory of the opposition parties in Hungary would obviously entail a smoother foreign and European policy, which would be closer to future German government ideas, while the ideological diversity of the opposition parties would hardly allow a comprehensive agreement with a strong, left-liberal policy.

The question, of course, is to what extent “*sound judgement*” can be enforced in the battle noise of political communication. To improve bilateral relations beyond ideological struggles, it would be important to consider certain similarities, such as the view on fiscal policy in line with the Maastricht criteria or the position on the relationship between national constitutions and the European legal order. If German liberals manage to maintain the principle of the debt brake, then the harmony between Berlin and Budapest that characterized fiscal policy before the pandemic may also be maintained. A legal, and not just political approach of the so-called “*Kompetenzfrage*”, which reflects the struggle between “*souvereignists*” and “*federalists*”, would also promote greater harmony, even if the issue of the rule of law kept the subject in a political light.

The big question for the near future is how a policy that focuses on national advocacy and not symbolic but pragmatic EU cooperation (see vetoing EU resolutions on China and Russia) can be put into a positive narrative. In other words, how can it be credibly shown to German decision-makers that Hungary is working to strengthen Europe and not to disintegrate it.

Economy

According to 2020 data, Germany is Hungary's most important trading partner with a turnover of 53.6 billion euros. The share of the German economy was 27.9 percent in Hungarian export and 24.5 percent in import, while Germany was also the largest capital investor. The current government's commitment to German economic operators is well illustrated by the fact that it has set up so-called strategic agreements with sixteen German companies. At the same time, the latest report of the German-Hungarian Chamber of Industry and Commerce is an important signal from German companies. At 88 percent, the satisfaction rate of German companies in Hungary is higher than ever before.

An important sign of the intensity of economic cooperation and the trust between economic actors is that most Hungarian military developments come from Germany, and significant military investments will be made in the coming years. In the light of all this, one can get the impression that our bilateral relations are characterized by a kind of dichotomy: in addition to or despite political distancing, everything is problem-free and promising on the market. At the same time, it would be a mistake to draw a sharp line between the two spheres, as the strategic nature of investments and corporate cooperation cannot be separated from the policy of the current Hungarian government. For the economic actors, the realistic, pragmatic and determined Hungarian political leadership, which sometimes takes on the representation of the interests of certain sectors (automotive industry) in Brussels much more firmly than the German government itself, makes Hungary an attractive investment location.

The enforcement of the Hungarian national interest and the German sectoral interest thus go in the same direction, which also strengthens the bi-

lateral relationship. Looking to the future, we can start from the premise that if the Social Democratic-Green-Liberal coalition violates the interests of certain economic actors in either regulatory or tax matters, it may further strengthen Hungary's position as an attractive location for investment.

The agreement initiated by the Heads of Government in 2018 to establish an Innovation Competitiveness Platform and delegate cooperation in the fields of mobility, digitization, research and development and the energy sector to working groups, will gain an increased importance after the end of the pandemic and will also overlap with V4 cooperation in several aspects.

An important precondition for further German investment is that Hungary implements the infrastructural developments with which it can maintain and even increase its "*Standortvorteil*", i.e., its attractiveness. The Government's efforts on road-network development and digitization, as well as its vision for securing cheap electricity in the long-term, point in this direction.

There is no doubt that the economic convergence of the two countries, which has only intensified in recent years, is a very important political factor. This should be acknowledged by policy makers in both countries, whatever the temptation to exacerbate conflicts in symbolic politics.

Science, Culture

A peculiar duality has characterized Hungarian-German relationship in recent decades: while Germany's primary role in geopolitical and economic questions is unrivalled, there is an Anglo-Saxon cultural dominance. The reasons for this go back a long way. Both post-World War II German self-restraint and the English-based globalization of culture that has accelerated with the information revolution have played a significant role. Nevertheless, important joint projects have been established between German and Hungarian institutions, from the Hungarian side mainly during Conservative governments. Partnerships with the Fraunhofer Institute and the Max Planck Institute network have provided an important framework for scientific cooperation in recent years, but research projects funded by large German companies within Hungarian higher education

institutions also play an important role. And although the disciplines included in the program may not seem economically significant, the Andrásy Gyula German-Language University can be considered a flagship in bilateral cooperation. The institution has been able to maintain its openness and sovereignty even in the political storms of recent years, and the cooperation between the participating countries and the States of Germany has not been substantially tested by political climate change. The recently adopted new strategy of the university and the consensus surrounding the person and program of the new Swiss-Hungarian rector, who took office a few months ago, can be an important guarantee for further development and greater visibility of the University. It can play an important role in ensuring that disputes between the two countries can be discussed from a truly sound, scientific perspective. Culture has traditionally played an important role in strengthening Hungarian-German relations, so in the years ahead it would be worthwhile buttressing Hungarian cultural presence in Germany with a generous expenditure.

Summary

If the current political constellation remains in the years ahead, the future of Hungarian-German relations will mostly depend on the ability to shift the emphasis in high-level relations from ideological struggles to long-term strategic interests. The first precondition for this is that *“Brussels bashing”* should not be one of the most important elements of domestic political communication in Hungary, and that Germany should not, or at least not only, appear in the most widely available pro-government media like the main representative of the *“rainbow-lover, migrant caressing”* West. The other precondition is to move away from a platitudinous, almost obligatory negative perception of Hungary and Prime Minister Viktor Orbán in the German political public towards the understanding that the emphasis on traditional social policy principles (support for families, gender issues), even if sometimes surrounded by certain rhetorical frills, is not necessarily an obsolete concept to attack Western civilization. Thus, the Hungarian position on migration and social integration is not racism, but a policy

that realistically approaches the possibilities of social coexistence, which is obviously different from one Member State to another.

If the goal is to create a truly lasting European Union, in the discourse on the future of Europe, its economic situation, the extent of its indebtedness, its ability to assert its foreign policy interests, and the reality of an ever-closer union it would be worth recognizing that Hungary's realistic approach could be useful for the German Europe-policy, which is traditionally based on budgetary rigor and efficiency and which is most represented in the new government by the FDP.

In the new Bundestag, there is hardly a representative who has meaningful memories of the opening of the border in 1989 or of Hungary of the following decades. This gap can only be filled if there is a mutual intention to re-establish and strengthen personal connections. Bilateral relations are shaped by individuals after all.

The Strategic Situation of the EU

– A View from Berlin

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Europe in an Era of Great Power Competition

When looking at the strategic situation of the EU from Berlin, the view is quite bleak: The EU finds itself caught in the middle of a new era of Great Power Competition on the international level and societal fragmentation in domestic politics. It is torn between the overarching competition between the US and China in the technological and economic realm, between deterrence and defence against Russia while addressing instability and migration to the south of the continent in its security policy, and polarisation in European societies themselves. These political, economic, technological, and military problem dimensions feed into a complex strategic landscape for the EU that will worsen over the coming years.

This situation will force the EU (and its member states) to adapt their policies in many areas. What is more, these changes will have to be informed by the global environment as much as by national compromises. Even though change has already caught up in some areas it is questionable whether it is fast and far-reaching enough to ensure the stability and wealth the EU currently enjoys. While Germany supports such changes, it still grapples with the realisation that history has not ended and that a less benign international environment is indeed possible. This begs the question if a new German government will be better equipped to handle this realisation - and act on it.

Enclosed by Threats and Risks

Traditional threats and less tangible risks shape today's strategic landscape. Most current threats confronting the EU and its member states are likely

to remain relevant: first, a resurgent Russia with clear intent and capabilities to threaten Europe and weaken coherence in NATO, the EU and political stability in their member states. Second, instability to the south of Europe creates favourable circumstances for the emergence and flourishing of malicious non-state actors. Third, neighbouring states that seek to exploit European problems for political gains like Belarus and Turkey. Moreover, as both EU and NATO have realised, geographical terms cannot sufficiently describe threats as the simultaneous expansion of domains (e.g., space, cyber, information) with potential hostile activity shows.

Moreover, the risks the EU faces are even more worrisome as they are less predictable, less visible (thus generating less political pressure), and even more challenging to address. These range from spill-over effects from global tensions or conflicts (e.g., risks for space infrastructure or migration flows) to technological and economic dependencies to climate or health emergencies. These might negatively affect economic activity and political capacity to act for the EU and member states, undermining societal stability. The perpetual crises since 2008/2009 strain societal cohesion in EU member states, which causes a significant divergence of national policies and political blockades if viewed from the EU level.

Recent initiatives like the EU's Common Threat Analysis and the subsequent Strategic Compass, greatly supported by Germany, are likely to show a picture of converging threats and risk perceptions in the EU. However, forming coherent policies with equal political investment by member states will be difficult. Unity in perception does not guarantee unity in response. Here, national preferences and priorities will still guide national answers and national support for EU solutions.

These problems also impact the German perspective on Europe's strategic situation, especially in security and defence. Previous governments brought change across a broad range of areas, often striving to increase coherence in the EU or position Germany as a leader for other member states. They include increases in defence expenditures, intensified investment screening for foreign direct investments into technology companies and more awareness for radical political movements within Germany.

Imbalances in the Transatlantic Relationship

Without a doubt, the transatlantic relationship is the most crucial partnership for the EU and most of its member states. Yet, Europe's honeymoon phase with the Biden administration has ended after the disastrous Afghanistan exit and other diplomatic mishaps. There are at least three major issues within the strategic dimensions to resolve:

First, what can the EU deliver militarily in Europe and beyond against what the USA perceives as military peer competitors: Russia and China. NATO remains the cornerstone of European defence for such a case, and the new US administration has become less critical of EU efforts in defence issues, hoping that they will boost the overall military capabilities of their European allies. Such an outcome would free US assets from the European theatre for defence planning in other parts of the world, namely the Indo-Pacific region. However, EU defence initiatives like EDF and PESCO still face a dilemma: the more successful they are, the more problematic they might become for the transatlantic relations. Moreover, they will not revolutionise capability building in the EU in their current form. Debates about burden-sharing in NATO will plague allies for the foreseeable future.

Second, the EU will have to position itself in economic and technological terms regarding the US-China decoupling. Its strong economic ties to both countries and its dependency on technologies and products do not make this easier. Nevertheless, the EU and the USA are co-dependent on each other, for even the USA cannot expect to sustain autonomy in all dimensions. Especially economic integration is crucial to achieving sufficient scale across the Atlantic. Hence, painful effects from a degree of decoupling from China are likely to appear over the coming years.

Third, political alignment between the two sides of the Atlantic will only go so far. The USA and the EU might share common visions for now, e.g., regarding climate change, but this alignment does neither stretch across all topics nor necessarily far into the future. National preferences for or against the transatlantic relationship might also undermine closer European cooperation and integration. Similarly, domestically driven US policy decisions can limit the foreign policy leeway of the Biden adminis-

tration. Germany, though, apparently enjoys a good standing with the US administration, judging from the generous compromise in Nord Stream 2. However, such a preferential treatment entails costs for German and US relationships with other EU members.

Interacting with Challengers – Russia and China

In addition to positioning itself in relation to its most crucial transatlantic partner and navigating national impulses for the foreign policy in member states, the EU will also have to reconfigure its relation to the primary global challengers: Russia and China. The key here will be to manage prevailing competition in differential engagements depending on dimension (political, economic, technological, and military) and challenger (China, Russia, others).

Militarily, things are straightforward with regards to Russia: to secure deterrence and defence, primarily via NATO (for most EU members) across military domains as well as increasing resilience in EU member states to counter activities below the threshold of war. Regarding China, Europe's military posture gets more complicated: only France can project power in the Indo-Pacific. Here, EU member states should instead closely observe Chinese activities in the European vicinity (like China's naval base in Djibouti).

A similar picture emerges in the economic and technological dimensions. While depending on Russia for a limited number of natural resources (foremost hydrocarbons), the EU member states' economic interdependency with China is much more intense. From globalised supply chains to foreign direct investments to its importance as an export market, China's entanglement with Europe's economies increases the confrontation's political and economic price. While Germany, for example, supports sanctions against Russia, even though it suffers disproportionately heavily compared to most other Western countries, doing something similar in response to a Chinese offence would cause more intense discussions.

Politically, diverging costs and benefits across EU member states will, thus, continue to drive their calculus and individual differential engagement

with China and Russia. A new German government will likely be tougher on China and Russia if both Greens and Liberals join it, but the overall three-pronged approach of unity, resilience, and compartmentalisation remains valid. First, unity in the domestic and European political realm still is a German policy goal – although within boundaries, as seen with Nord Stream 2. Either the Conservatives or Social Democrats, both supporting the pipeline, will also be in power over the following years. The second pillar of strengthening societal and economic resilience against political and economic inroads in Europe will gain in importance, seen for example in the sceptical stance of Liberals and Greens towards the CAI. Most importantly, though, compartmentalisation will continue to characterise German foreign policy towards challengers, as all parties in Germany stress that regional and international problems like arms control or climate change require a dialogue with both Russia and China. A new German government will likely put a bit more emphasis on unity and resilience than on compartmentalisation than the current one does, but it remains a question of degree, not one of principle.

Keeping the Flock Together

The real question is if external pressure from a less benign international environment will bring EU member states closer together or whether actors like China and Russia, but also diverging European views on the transatlantic relationship, will enhance internal divergences in the EU and its member states. If so, such divergences will paralyse the EU's capacity to act. For now, the latter scenario, unfortunately, seems more likely. Viewed from Berlin, it sure looks like the price to pay to keep the EU together increases. Nevertheless, the European project and close transatlantic ties will remain at the heart of German foreign policy.

Europe's Strategic Void

Tamás Levente Molnár, Research Fellow, Institute for Foreign Affairs and Trade

Academic and political debates about the EU's ability to shape the world more to its liking have been dominated by notions such as the “*European sovereignty*”, “*strategic autonomy*”, or lately, as an attempt of compromise by HR/VP Borrell to reconcile the two buzzwords, “*European strategic autonomy*”.¹⁶ Much has been said and written about various concepts and sub-concepts in this regard, making the discussion even more blurry, such as the “*digital sovereignty*”, “*technological sovereignty*”, or “*health sovereignty*”. As complex as it may seem, however, the formula is not complicated at all. The diverse definitions all relate to the ability, that the EU should be capable of making decisions by itself and for itself, without all too great external influence. The notion is noble, but it misses to close “*the gap between ‘too much rhetoric’ and ‘too little action’ that have characterised the EU’s security and defence efforts so far*”, as was pointed out in a report about the EU’s Strategic Compass by the Clingendael Institute.¹⁷ In this regard, the EU’s greatest foreign and security policy challenge is not that it lacks concepts, instruments or tools, it is about how to define what the Union should do, i.e. strategic direction, what is needed to achieve that, i.e. planning, and what is the level of ambition, i.e. political will.

The challenges the EU is facing are numerous and diverse. The level of instability in the bloc’s direct and indirect neighbourhood is unlikely to decrease in the future. In the eastern flank of the Union, the threats are posed mainly by state actors, in the southern dimension by non-state actors. More recently the think tank world uses the term “*360-degree threat environment*”, describing the hybrid threats on a broad scale in diplomatic, military, economic, or technological nature. During the COVID-19 pandemic, we have witnessed how exposed the European medical device industry is

¹⁶ Why European strategic autonomy matters. 03 12 2020. https://eeas.europa.eu/headquarters/headquarters-homepage/89865/why-european-strategic-autonomy-matters_en

¹⁷ Dick Zandee – Adája Stoetman – Bob Deen: The EU’s Strategic Compass for security and defence – Squaring ambition with reality. May 2021. https://www.clingendael.org/sites/default/files/2021-05/Report_The_EUs_Compass_for_security_and_defence_May_2021.pdf

to Asian suppliers, and how vulnerable stretched global supply chains are. The US-China trade war inevitably pushes the Europeans to pick a side, a decision many EU members are unable or unwilling to make. All these issues are challenging and require much attention from the EU and its Member States. Still, concerning the diverse and often mutually exclusive national interests existing within the EU, the Union's biggest challenges are less of "external" than of "internal" nature; that is to be able to define the common interests and values, and what the EU27 is ready to do to pursue and defend these. In the following the "internal" challenges of the EU with regard to the transatlantic partnership, and the relations with Russia and China will be examined.

With Joe Biden in the White House, the EU has a more pleasant partner in Washington at first sight than it was the case with his predecessor. However, the evidence is growing that with the Democratic president only the tone but not the policies have changed.¹⁸ The shambolic retreat from Kabul, the continued abuse of tariffs, or the snub of allies with respect to the torpedoed French contract to sell submarines to Australia due to the AUKUS agreement are examples of growing alienation between the US and Europe. At the latest, since the Obama administration, Washington's focus is shifting to Asia, and the US expects more responsibility from its European allies to take for their own and their neighbourhood's security. To this end, first, the Europeans should break the "*law of opposite effects*".

Following a major crisis of confidence in the transatlantic alliance under President Trump, the Europeans managed to pull themselves together to advance their security and defence interests with a set of new initiatives. Now, that a softer tone is coming from Washington, the achieved results could be jeopardized by falling back into a "*lazy, self-defeating mindset of dependency on the US military shield*".¹⁹ Avoiding European complacency and maintaining the defence projects' momentum of recent years is there-

¹⁸ Elise Labott: When the White House Changed Hands, It Changed Tone but Not Policies. 22 09 2021. <https://foreignpolicy.com/2021/09/22/biden-us-policy-trump-legacy-foreign-policy-aukus/>

¹⁹ Iulian Romanyshyn: Breaking the Law of Opposite Effects: Europe's Strategic Autonomy and the Revived Transatlantic Partnership. March 2021. <https://www.egmontinstitute.be/content/uploads/2021/03/spb-140-Iulian-Romanyshyn-final.pdf?type=pdf>

fore essential for the Europeans. Second, the dysfunctional political debate about NATO and the EU being “either-or” options should stop. Stronger European security and defence is a meaningful contribution to NATO’s burden-sharing, thus, the two organizations are “and-and” for the EU.

Both arguments support the need for an enhanced *European strategic autonomy*. However, the notion has serious limitations in an increasingly binary world order of security, economy, advanced technology, and civilizational competition between the US and China.²⁰ In this regard, the EU’s greatest challenge is whether it will be able to position itself in a way to avoid choosing one of the two powers to the exclusion of the other by hitting a third, “*European*” way. This will be the true litmus test of *European strategic autonomy* in the framework of transatlantic relations.

Concerning Russia, the EU’s main challenge in the future will most probably remain the same as the current one: allying 27 Member States behind a common position that finds the right way to treat a declining and highly unpredictable power. The EU’s current approach towards Russia can be described as a mix of sanctions, condemning statements, modest engagement measures as well as economic cooperation. This cacophony of approaches is a fine depiction of the different national strategies of the EU27 Member States on the one hand, but a perfectly insufficient guide for common foreign policy-making on the EU level. The good news for the Europeans is, according to Mark Galeotti that from the Russian side there is no grand strategy either, “*beyond weakening the EU and NATO and creating a more conducive environment for itself*”.²¹ We have witnessed a broad repertoire of these weakening measures from heavy tools like the war in eastern Ukraine, or poisoning attempts of individuals critical towards the Kremlin, to more delicate and soft ones like the 2016 “*Lisa case*”. The Russian diplomacy’s humiliation against the EU, as it was articulated by Sergey Lavrov’s comment about the bloc being an “*unreliable partner*” at HR/VP Borrell’s visit to Moscow, is a sign of Russia’s lack of will

²⁰ Richard Higgott – Simon Reich: Hedging by Default: The Limits of EU “Strategic Autonomy” in a Binary World Order. 2021. <https://www.lse.ac.uk/ideas/Assets/Documents/reports/LSE-IDEAS-Hedging-by-Default.pdf>

²¹ Mark Galeotti: Controlling Chaos: How Russia Manages its Political War in Europe. August 2017. https://ecfr.eu/wp-content/uploads/ECFR228_-_CONTROLLING_CHAOS1.pdf

of rapprochement with the EU. As Judy Dempsey from Carnegie Europe argues, while “Moscow knows what it wants from the EU: a relationship that is based on dealing separately with each member state”, “in contrast the EU and the member states – collectively – don’t know what kind of dialogue or relationship they want with Russia”.²² Diverging interests of Member States are indeed a great obstacle in front of a common EU strategy.

However, until the Member States figure out how to better harmonize their various Russian policies, the EU can still do more in the meantime. One sound proposal is noted by Carl Bildt, Sweden’s former prime minister and one of the main architects behind the EU’s Eastern Partnership, and his co-authors who suggest a three-way approach with Russia in a paper published by the ECFR.²³ The overarching goal for the EU is to “seek to reclaim regional influence in its neighbourhood and to constrain the capacity of other powers”, like Russia, China, or Turkey by filling “Borrell’s ‘push back, contain, and engage’ framework with assertive policies”. In order to achieve this, the EU should develop closer security and military ties with selected neighbours in different, contested regions, e.g. in the Balkans, in the EU’s eastern neighbourhood, or in the Middle East, while at the same time it should reframe its communication about human rights and democracy. Further, the EU should choose a selective approach when dealing with the Russian government or the Russian society through multilateral institutions or visa procedures. The authors note that a “muscular approach to Russia is not part of the EU’s strategic culture”, but eventually a more distinct action could lead to an improvement of the dialogue between the EU and Russia. The challenges and risks Russia pose for the EU are likely staying with us, thus the EU would need to have a better strategy towards Moscow than the one enabled by the lowest common denominator of its Member States’ divergent interests.

Finding the right strategy for China will probably be the most challenging quest for Europeans in the future. In this regard, on top of the well-

²² Judy Dempsey: Why the European Union Cannot Do Foreign Policy, 09 02 2021. <https://carnegieeurope.eu/strategieurope/83841>

²³ Carl Bildt – Gustav Gressel – Kadri Liik – Nicu Popescu: Push Back, Contain, and Engage: How the EU Should Approach Relations with Russia. March 2021. <https://ecfr.eu/wp-content/uploads/Push-back-contain-and-engage-How-the-EU-should-approach-relations-with-Russia.pdf>

known argument about divergent national interest comes the growing risk the Chinese economic and advanced technologic clout poses for European countries. Many European industry associations, such as Germany's BDI urge the EU for years now to toughen response to unfair Chinese trade practices from forced technology transfer and failures to protect intellectual property to arbitrary customs decisions and unequal access to licenses and financing.²⁴ Cutting the European economies' dependencies on China would enable politics to formulate a tougher stance against the Chinese government's desolate human rights record regarding Xinjiang or the political situation in Hong Kong. Unfortunately, European economic and trade interests still dominate the considerations about foreign policy formulations, as it was clearly shown by the German government's preference to push through the EU-China Comprehensive Agreement on Investment on the last metres of its EU presidency.

Concerning the right strategy towards China, the EU's strategic void is most illustrative. In 2019, the EU-China – A strategic outlook was published, a document by the European Commission and HR/VP, which labelled China as a "*strategic competitor*", but at the same time a "*cooperation partner*".²⁵ Admittedly, the relationship is a complex one, but the label dichotomy did not bring any clarity about how to develop a European approach towards China. Josep Borrell's initiative to review the EU's current China strategy, two years after the publication of the strategic outlook document, is an admittance that the EU does not have any clear ideas and concepts about how the right code of conduct for China should look like.²⁶

By all means, the EU's lack of strategic outlook is not the sole responsibility of its institutions. The Union cannot be stronger than the combined political will of its Member States allows it to be. Still, if Europeans

²⁴ Michael Nienaber: German industry demands tougher line on 'partner and competitor' China. 10 01 2019. <https://www.reuters.com/article/us-germany-china-industry-idUSKCN1P40NZ>

²⁵ European Commission and HR/VP contribution to the European Council EU-China – A strategic outlook. 12 03 2019. <https://ec.europa.eu/info/sites/default/files/communication-eu-china-a-strategic-outlook.pdf>

²⁶ Stuart Lau: EU mulls review of China policy, again. 29 07 2021. <https://www.politico.eu/article/eu-china-policy-review/>

would like to have a say in global matters, they should be able to define in a realistic way what the EU should be able to do, and what is needed to deliver that. This is the basic requirement to fill its strategic void.

German–Hungarian Defence Policy Cooperation

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Starting out from the two sides of the Iron Curtain, and with intertwined endeavours in reuniting both Germany and Europe, the two countries have seen different dynamics of the transforming security environment in the 1990s. The break-up of Yugoslavia served as a strong reminder that the end of the Cold War brought about regional instability that directly affects their security either through armed conflict or through waves of refugees seeking peace. Building on these drivers among others, Hungary's quest for NATO and EU membership met by strong support from Berlin, thus extending the arc of stability and prosperity across Central Europe.

As both countries favour multilateral action in international crisis management, these frameworks offered opportunities for fostering defence cooperation and interoperability by taking up stabilization roles in the Balkans and in the broader Middle East together. Bilateral cooperation in some fields, such as military medicine, logistics support and operational engagement stem from the turn of millennium period, however, did not fledge their full potential until the second half of the 2010s, then entering a new dimension.

Three major obstacles hindered the deepening of defence relations on the bilateral level. First, the chronic underfinancing of the Hungarian defence sector since the 1990s, further exacerbated by the effects of the 2008/2009 financial crisis, pushed Hungarian defence expenditures to their lowest in 2014. The decreasing trend of German defence expenditures since the 1990s, and the impact of the financial crisis also overstretched the German defence budget, lagging behind needs, as well as some allied expectations calling for more leadership in European defence on behalf of Berlin. Second, as a consequence, underfinancing

led to the significant erosion of both militaries' capabilities and readiness, eventually culminating in a budget cut-driven Bundeswehr reform initiated in 2010, but remaining unaddressed in Hungary for much longer. Third, both militaries and political elites had to come to terms with new realities of our security environment in the 2010s: the return of great power conflicts, the use of armed forces within Europe, the demise of arms control treaties, spreading instability in neighbouring regions, various conventional and hybrid threats not only in the physical but also in the cyber realm, among others. The disputed self-image and role concept of German (civilian) power did not allow for Berlin to act as a facilitator of defence cooperation for a long time, beginning to change with the continued transformation of the Bundeswehr, the promotion of Framework Nation Concept within NATO and through establishing the so-called Munich Consensus. Hungary, on the other hand set out a brand-new vision for long-term armed forces development only by 2016, formally canonized in the prioritizing German-Hungarian defence cooperation.²⁷

Addressing financial constraints, the shortages in readiness and the lack of a vision for the future of Central European defence by the mid-2010s created the opportunity for fostering significantly closer ties in defence policy and adding new dimensions in armed forces modernization, as well as defence industry.

Structural Changes and Enhanced Cooperation

The fundamental transformation of Europe's security environment brought a turning point into this relationship. First, the global power shift towards China, and a militarily more assertive Russia set the scene for the re-emergence of great power rivalry, in which Europe's relative influence and stability decreased significantly, whereas the United States continued to shift its attention and resources more towards the Indo-Pacific. Second, the non-conventional security challenges, like the 2015 refugee and migration crisis, a wave of terrorist attacks in 2015-2016, and most

²⁷ National Military Strategy of Hungary. 2021. <https://defence.hu/news/national-military-strategy-of-hungary.html>

recently the coronavirus pandemic also highlighted Europe's vulnerability. Moreover, the conflict between Russia and Ukraine demonstrated that in contrast to the previously dominant perception, Europe is not immune to direct military threats. As an answer, NATO member states committed themselves to raise their defence budgets and engage in wide-ranging military modernization programs.

Aligning with European dynamics, the German defence budget started to slightly increase from 2014 onwards, surpassing 50 billion EUR by the end of the decade, thus providing much needed resources for the Bundeswehr, which gave hope for overcoming (or at least mitigating) some capability shortcomings and embracing some modernization needs for the future.²⁸ In parallel to this, the Hungarian defence budget started to slowly stabilize after hitting rock bottom in 2014 with 256.75 billion HUF.²⁹ Following a dynamic increase during the next few years, the defence expenditures quadrupled in nominal terms, and will reach 1 003.05 billion HUF (or 2.78 billion EUR) in 2022.

The significant increase in resources opened up a way for a long-awaited, comprehensive defence modernization program for Budapest. In order to rebuild the country's defence and military sector, Hungary had to rely on external suppliers, due to the lack of meaningful defence industrial capacity, especially regarding major arms and cutting-edge technologies. Since there are only a handful of NATO member states that could provide such defence industrial pillar, the decision whether the United States, Germany, France, the United Kingdom, Italy or the V4 will emerge as a key partner for this modernization process, bore strategic importance that will require decades-long commitment on both sides to deliver.³⁰

²⁸ Defence Expenditure of NATO Countries (2014-2021). 11 06 2021. https://www.nato.int/nato_static_fl2014/assets/pdf/2021/6/pdf/210611-pr-2021-094-en.pdf

²⁹ Tamás Csiki Varga – Zsolt Lázár: Filling the two percent gap – An update on Hungarian defense spending trends. 02 08 2021. [https://svkk.uni-nke.hu/document/svkk-uni-nke-hu-1506332684763/ISDS_Analyses_2021_15_Filling%20the%20two%20percent%20gap%20%E2%80%93%20An%20update%20on%20Hungarian%20defense%20spending%20trends%20\(Tamas%20Csiki%20Varga_Zsolt%20Lazar\).pdf](https://svkk.uni-nke.hu/document/svkk-uni-nke-hu-1506332684763/ISDS_Analyses_2021_15_Filling%20the%20two%20percent%20gap%20%E2%80%93%20An%20update%20on%20Hungarian%20defense%20spending%20trends%20(Tamas%20Csiki%20Varga_Zsolt%20Lazar).pdf)

³⁰ Gábor Baranyai: Developments in the Hungarian military reaching global standards. 26 12 2020. <https://magyarnemzet.hu/english/2020/12/developments-in-the-hungarian-military-reaching-global-standards>

The comprehensive framework “*Zrínyi 2026 – Homeland Defence and Armed Forces Development Program*” was adopted in 2016.³¹ While the program does not stand out from ongoing Central European armed forces’ modernization programs with regards to its scale, it still has an important difference, as it builds heavily on Germany military technology through major acquisitions, like:

- 12 pcs used Leopard 2A4 tanks for training purposes and 44 pcs new Leopard 2A7+ tanks produced by Krauss-Maffei Wegmann;
- 24 pcs PzH 2000 self-propelled howitzers produced by Krauss-Maffei Wegmann;
- 218 pcs Lynx KF41 infantry fighting vehicles to replace BMP-1s.

Besides these solely German acquisitions, Hungary also ordered 20 pcs Airbus H145M light utility helicopters and 16 pcs Airbus H225M long-range tactical transport military helicopters, which also have at least partial German involvement. Thus, apart from some procurements (e. g. NASAMS air-defence system or Gidrán armoured tactical vehicles), the Hungarian Defence Forces’ largest modernization program has become Germany-dependent. From the Hungarian perspective, this represents a major strategic commitment towards Berlin, which will become the primary military partner of Budapest – due to the simple fact that only Germany will be able to provide the necessary logistical support for the long-term maintenance of the new capabilities. By the end of the first major acquisition cycle by the mid-2020s, the HDF will significantly decrease the amount of old Soviet/Russian technology in service, and it will be more integrated into Western military structures than it has ever been.

From a German perspective, the strategic commitment of Hungary has various consequences. On the financial level, the major acquisitions temporarily elevated Hungary to become the primary buyer of German major arms, which has an immediate material impact on the German defence

³¹ Ádám Draveczi-Ury: *Zrínyi 2026*. 16 01 2017. <https://honvedelem.hu/hirek/hazai-hirek/zrinyi-2026-2026.html>

industry.³² The German federal government had approved arms exports worth 22.5 billion euros during the previous electoral term, Hungary being the main recipient with almost 2.7 billion euros, or more than 10% of the total arms export approvals.³³

This will be further enhanced by the bilateral defence industrial pillar of the Hungarian modernization process. On the one hand, the Zrínyi modernization program clearly prioritizes Hungary's commitment towards European partners over their American counterparts. On the other hand, this commitment was enhanced by Hungary's interest to establish a strong domestic defence industrial basis for major acquisitions, logistics, production and future innovation, what was likely easier to achieve with European partners. The two most important defence industrial pillars of the aforementioned bilateral procurement programs are the foundation of Rheinmetall Hungary company that is already building a manufacturing company in Zalaegerszeg to produce Lynx infantry fighting vehicles, and the establishment of an Airbus factory in Gyula to produce precision parts of the company's helicopters.

Furthermore, the strategic commitment also means that Hungary obtains close ties to the German armed forces. This level of interoperability also bears key importance for Germany, which can more easily build on the HDF with regards to collective defence, expeditionary operations or European defence cooperation in various multilateral formats.

German-Hungarian defence cooperation has intensified within multinational and European frameworks as well. Already in 2013, Germany introduced the Framework Nations Concept (FNC) to NATO and the alliance adopted the Concept a year later, with the aim to establish larger military formations among allies through the cooperation of larger militaries providing the planning, command, control and logistics support "*framework*"

³² Gyula Speck: Magyar–német védelmi kapcsolatok Magyarország új Nemzeti Biztonsági Stratégiájának tükrében. (German-Hungarian defense relations with reflection to Hungary's new National Military Strategy) 2020. https://www.mhht.eu/hadtudomany/2020/2020_3szam/HT-2020-3_Egyben_col_PDF-A_WEB.pdf

³³ Deutsche Welle: Bundesregierung genehmigte Rüstungsexporte in Milliardenhöhe. 29.08.2021. <https://www.dw.com/de/bundesregierung-genehmigte-r%C3%BCstungsexporte-in-milliardenh%C3%B6he/a-59018015>

necessary for large-scale operations, and smaller national armies able to “plug in” to this framework at smaller unit levels.³⁴ Although Hungary originally joined the Italy-led FNC, the last few years undoubtedly demonstrated that Budapest is approaching the German-led FNC. These steps are in line with the country’s Germany-dependent armed forces modernization program, its underlying training, logistics, etc. elements, as well as the affiliation and further development of the Hungary-led HQ Multinational Division – Central (HQ MND-C) to NATO’s command structure, developing strong component connections via FNC to the Bundeswehr. This is also supported by cooperation in the second major FNC pillar: joint capability development programs, harmonized with Hungary’s NATO defence planning commitments. Thus, a German-Hungarian Army Steering Group was established in 2019 to enhance cooperation between the two armies and align the rules of engagement within the FNC program.³⁵ A Letter of Intent on behalf of the two national air forces was also signed the same year, signalling sustained will for deeper cooperation. Thus, in 2020, Hungary was the first partner to join the Luftwaffe’s A400M Multinational Air Transport Unit program.³⁶ Besides, Berlin and Budapest will jointly contribute to NATO’s Very High Readiness Joint Task Force in 2023 and to an EU Battlegroup in 2025.³⁷ The two countries participate together in several EDA capability development projects and various PESCO projects, including the Integrated European Joint Training and Simulation Centre project led by Hungary as well as the European Medical Command; Network of Logistic

³⁴ Rainer L. Glatz – Martin Zapfe: NATO’s Framework Nations Concept. December, 2017. <https://ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/pdfs/CSSAnalyse218-EN.pdf>

³⁵ Fontos lépés a német-magyar szárazföldi haderőnemi együttműködésben. (An important step in German-Hungarian Army cooperation) 18 12 2020. <https://honvedelem.hu/hirek/fontos-lepes-a-nemet-magyar-szarazfoldi-haderonemi-egyuttmukodesben.html>

³⁶ Gareth Jennings: Germany to form A400M Multinational Air Transport Unit with Hungary. 18 09 2020. <https://www.janes.com/defence-news/news-detail/germany-to-form-a400m-multinational-air-transport-unit-with-hungary>

³⁷ Benkő: German, Hungarian Defence Forces Maintain Strong Cooperation. 17 07 2020. <https://hungarytoday.hu/benko-german-hungarian-defence-forces-strong-cooperation/> and Strong ties connect armies of Germany and Hungary together. 17 07 2020. <https://2015-2019.kormany.hu/en/ministry-of-defence/news/strong-ties-connect-armies-of-germany-and-hungary-together>

Hubs in Europe and Support to Operations; and Cyber and Information Domain Coordination Center projects led by Germany.³⁸

Concerning notions of European strategic autonomy/sovereignty, Berlin and Budapest maintain similar positions. Both are openly committed to strengthening European defence and military capabilities, the European Defence Technological and Industrial Base, as well as European crisis management efforts within the EU's direct neighbourhood (most importantly in the Western Balkans and in North Africa). At the same time, none of them questions the primacy of NATO and the importance of U.S. military guarantees when it comes to collective defence. Thus, Budapest and Berlin try to balance in-between extreme opinions of the broader European strategic autonomy/sovereignty debate, equally paying attention to the legitimate and important interest of Europe to strengthen the security and defence capabilities of the continent, while keeping in mind Europe's vital interest with regards to the delicate nature of Transatlantic relations.

The Future of German-Hungarian Bilateral Defence Cooperation

Although bilateral defence cooperation between Germany and Hungary has undoubtedly intensified and deepened during the past 5 years, the dynamics and end-state of this relationship, as well as its multinational – EU, NATO – environment still hold several options and unanswered questions. While mutual economic interests and an asymmetric interdependence will tie Budapest and Berlin together, political differences and conflicts in high politics might pose challenges – and it is of utmost importance for both parties that such cases should not be allowed to filter down to the level of security and defence policy. On the contrary: intense defence relations should have a stabilizing role, cautiously nurtured not only by politicians, military leaders, but also policy experts, facilitating open discussions.

³⁸ Anna Nádudvari – Alex Etl – Nikolett Bereczky: Quo vadis, PESCO? An analysis of cooperative networks and capability development priorities. 23 04 2020. [https://svkk.uni-nke.hu/document/svkk-uni-nke-hu-1506332684763/ISDS_Analyses_2020_15_Quo%20vadis%20Pesco_\(N%C3%A1dudvari_Etl_Bereczky\)%20\(2\).pdf](https://svkk.uni-nke.hu/document/svkk-uni-nke-hu-1506332684763/ISDS_Analyses_2020_15_Quo%20vadis%20Pesco_(N%C3%A1dudvari_Etl_Bereczky)%20(2).pdf)

There are (at least) three issues where coordination and fostering mutual understanding of the parties could prove to be useful and necessary in the short- to mid-term. Two of these, the ongoing preparatory discussions on providing national input to NATO's next strategic concept and the EU's upcoming Strategic Compass, both to be formally adopted in 2022, offer fora for articulating joint positions, where possible. The third one is the possible reform proposal targeting the EU's decision-making processes, as with the new German government taking its place, it is more likely that the debate on European strategic autonomy/sovereignty will shift towards the issue of introducing Qualified Majority Voting (QMV) in the field of Common Foreign and Security Policy. Berlin might increase political pressure to extend the QMV areas to enhance the effectiveness of EU decision-making and the use of foreign policy tools, whereas small and middle member states (including Hungary) would carefully avoid any scenario in which they can lose their influence on decision-making in a disproportionate QMV setting.³⁹

Practical elements of the developing cooperation will capitalize on the joint defence industrial production, and later, on research & development projects, building not only on the prime technological standard and cutting-edge know-how of German defence firms, but also on the supply chain developed and qualified workforce trained in Hungary. Furthermore, Hungary is to play an eminent role in testing the Lynx armoured fighting vehicle and introducing it into military service – as the single largest element of the currently ongoing defence modernization program –, and then use this experience and further innovation in the global arms market together with Germany.

It is also worth to mention that two Hungarian initiatives are in place to support multinational cooperation through a similar “*framework nation mentality*” and FNC paves the way for more than 20 member and partner countries: HQ Multinational Division – Central (HQ MNDC) and

³⁹ Tamás Levente Molnár – Tamás Csiki Varga – Gergely Varga – Alex Etl: Egy hatékonyabb európai külpolitika felé? A minősített többségi szavazásról és az Európai Biztonsági Tanácsról szóló javaslatok értékelése (2.) (Towards a More Effective European Foreign Policy? Evaluating the Proposals on Qualified Majority Voting and the European Security Council (2)). February, 2020. https://kki.hu/wp-content/uploads/2020/02/E-2020_18_egy_hatekonyabb_2.pdf

Regional Special Operations Components Command (R-SOCC). Both have a forward-looking element of enhanced cooperation with the Bundeswehr at various levels.

In sum, when looking forward in a broad sense, it is very likely that in the foreseeable future the HDF will be the most interoperable partner of the Bundeswehr in the Central and Eastern European region, what will make Hungary an indispensable partner for Germany, if Berlin seriously aims to scale-up its efforts with regards to European defence cooperation. Vice versa, Hungarian defence policy will unavoidably rely and depend on Germany for decades from now. Albeit this partnership – just like in the case of bilateral economic relations – will always remain asymmetric (due to basic characteristics of the two countries' relationship) and more vital from a Hungarian perspective, it still means that German-Hungarian defence policies will be deeply intertwined.

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