

Weekly Newsletter

News

Charges over casino project "absurd," - former PM Gyurcsány

Former Prime Minister Ferenc Gyurcsány told reporters on last Thursday that allegations about his abuse of authority in connection with a former casino project were "absurd". Gyurcsány spoke after he reviewed documents from the prosecutor's office concerning the contested one-billion-dollar development project which had been planned for Sukoro near Lake Velencei in central Hungary. The former PM said he was convinced that his case was politically motivated and added that he would be "infinitely surprised" if the prosecutor's office could come up with any evidence to support the allegations. Gyurcsány said he had no other choice but meet the challenge and fight "this legal and political scandal". He repeated his earlier pledge to request parliament to lift his immunity for the proceedings. The former PM said he believed that the project, if implemented, would have been beneficial for the economy.

Gordon Bajnai, Hungary's prime minister in 2009-2010, was questioned in connection with the same case the day before. Bajnai has appeared once before the authority as witness in the case, which involved the swap of state-owned properties at Sukoro in central Hungary. Bajnai was asked about a meeting in May in 2008 attended by then Prime Minister Ferenc Gyurcsány, investors in the casino project, and himself, a member at the time of Gyurcsány's cabinet, Géza Fazekas, the spokesman of KNYF, told MTI. KNYF has been examining allegations of crimes causing significant damages to the state since 2009, in connection with property exchange deals surrounding the Sukoro project.

In a statement sent to MTI after his questioning, Bajnai said that the project dubbed King's City would have benefitted the national economy, through creating 2,500 jobs and attracting millions of tourists to Hungary.

The opposition Socialist Party will stand "with all its political weight" by former Prime Ministers Ferenc Gyurcsány and Gordon Bajnai, and rejects the ruling Fidesz party's "practices aimed at blackening members of previous governments", a member of the Socialist board told reporters on Saturday. Tibor Szanyi called Prime Minister Viktor Orbán's government a "puppet theatre performing horror stories" and accused the judiciary of assisting to what he suggested were show cases of holding former officials to account over earlier decisions. "Hands off the former prime ministers and other officials of the previous Socialist governments," said Szanyi.

Then Parliament's immunity committee on Tuesday proposed lifting the immunity of former Prime Minister Ferenc Gyurcsány in connection with his alleged involvement in a contested casino project near Sukoró in central Hungary. Six members of the committee, including opposition LMP and Jobbik members, supported the decision, while two Socialists voted against, the head of the body, György Rubovszky said after the session. Though Gyurcsány himself had earlier requested removing his immunity so that he could face the procedure, the Socialists voted against the proposal for "reasons of conscience". One of them, Gábor Simon, said that the allegations against the former PM were "groundless and politically motivated". There was no direct evidence supporting Gyurcsány's involvement, Simon said. He referred to earlier testimonies, insisting that although Gyurcsány had met the investors involved in the project, no decision had been made at the meeting. Péter Szilágyi, the single committee member delegated by the green opposition LMP party, said his party welcomed the decision. It was LMP back in 2009 who brought the case against Gyurcsány, calling for transparency in the Sukoró deal, he said, adding that political leaders had used "appalling rhetoric" over the issue recently. Gábor Szabó, the committee member of the radical nationalist Jobbik party, said he supported the decision, but was sorry that it had taken so long, as the extra

time may have given Gyurcsány and his lawyers an advantage.

Source: MTI

Wikileaks: Orbán asked not to pay attention to what he says in the campaign

„Disregard what I say” during the campaign, Orbán Viktor said before the 2006 elections, according to 2 diplomatic cables of the American Embassy. According to the documents published by Wikileaks, Orbán referred to the fact that his electoral promises – judged to be „populist” by American diplomats – would not necessarily coincide with the actual plans of his party. The Embassy considered that this was the reason why Orbán was not in a position to cast stones at Ferenc Gyurcsány following the Őszöd speech.

„This isn’t complicated – to the people we say that we would restore the greatness of the nation, and to the economic players what they can expect from the Fidesz government” – Viktor Orbán declared to the American Embassy according to a cable from April 2008, as published by Wikileaks. The „confidential” document signed by the then Ambassador April H. Foley contained a longer analysis about Fidesz, celebrating its 20th birthday in those days.

(...) According to the cable, voters felt a strong connection to Orbán, but many found it difficult to accept that his political credo had changed from liberalism to populism. According to the telegram, some considered Orbán’s statement to be „pragmatic”, while others saw it as unprincipled.

Another cable from September 2006 also quotes a similar statement by Orbán. This telegram was drafted after the publication of Ferenc Gyurcsány’s Őszöd speech but before the local government elections. According to it, Orbán said similar things in front of several EU Ambassadors. „Despite the fact that Orbán, during the weekend, announced that he had ’never lied’ to the Hungarian people, our fellow diplomats clearly remember that during the campaign, when meeting with EU Ambassadors, he urged them to ’pay no attention to what I say to get elected’.

(...) When the meeting actually took place, is not entirely clear from the document, but the context points to the campaign period preceding the 2006 elections. It was in an interview with CNN on September 23rd 2006 when he proclaimed that he had „never lied to the people”.

One of Origo’s journalists has been seeking a reaction by the Prime Minister regarding the truthfulness of the statements in the Embassy cables. The Prime Minister’s spokesman replied in a letter by saying that they had „no intention to deal with the new and newer products of the American entertainment industry”. „Cases like this only served to portrait the American diplomacy in an absurd and unserious light.”

www.origo.hu/itthon/20110905-wikileaks-orban-viktor-kijelentesei-valasztasi-igereteirol-es-a-fidesz-elemzese.html

Do not pay attention to Wikileaks!

Hírcsárda blog

by József Sobri

A new document quotes Orbán to say that nobody should pay attention when he says that nobody should pay attention to what he says.

„Pay no attention to what Wikileaks will say about me telling you not to pay attention” – he said, according to the newly leaked document, at an informal meeting at the American Embassy in 2010. According to the Embassy cable forwarded to our editors Orbán, expecting that the content of certain discussions would become public, had decided to give an advance warning to ambassadors.

At this point, even the Wikileaks document is unsure of which statement one should actually take seriously, and to whom the sentence in Orbán’s last speech, beginning with the words „only those should pay attention, who ...“, really applied. The Embassy cable then solves the problem with a joke about the Police, and a quotation from Lenny Kravitz.

Subsequently, we have asked Péter Szíjjártó, the Prime Minister’s spokesman, about the matter, but we did not pay attention to what he said.

http://hircsarda.blog.hu/2011/09/06/orban_ne_figyeljenek_oda_a_wikileaks_re?utm_source=ketrec&utm_medium=link&utm_content=2011_09_07&utm_campaign=index

The hole is bigger in 2011 budget than HUF 100 billion - Péter Oszkó

The worse-than-expected economic growth in Hungary in the second quarter is not a consequence of the euro crisis but was brought on by the government's bad responses, said Péter Oszkó on Friday. In a radio interview, the former finance minister said the hole in this year's budget is bigger than the HUF 100 billion Prime Minister Viktor Orbán was talking about. "We've had a HUF 250 billion freeze [i.e. the stability reserve fund - editor's note], a ruling by the European Court on Hungary's VAT regulations that in itself could be worth about HUF 200 billion [repayment to businesses] and there's the slowdown in economic growth on top of these. The worse-than-expected GDP numbers will lead to smaller tax revenues," Oszkó told Klub Radio. Oszkó, Chairman-CEO of PortfoLion Venture Capital Fund Management Co., said this could cause a HUF 100-200 bn slippage in the budget. Because of that he does not believe measures to fill a HUF 100 bn hole will be enough. He noted that raising the excise tax on alcohol and cigarettes will not generate this much revenues. The PM announced on Thursday that among the measures aimed at offsetting the unwanted shortfall in the budget "a few taxes will be raised, such as on gambling, tobacco and alcohol." "The government keeps talking about this crisis [in Hungary] is the consequence of the euro crisis, which is not true because the Swiss franc really started to appreciate only in July. The second-quarter GDP data have nothing to do with this, it reflects the bad local management of the global downturn," Oszkó said. "The impacts of the Eurozone crises are only yet to follow and will be reflected in the third-quarter data," he said, adding that "we may not see every negative element here; some additional ones may be on their way." Economy Minister György Matolcsy reiterated in the recently published law on the final balance of the 2010 budget that the Fidesz-led government realised when it came into power in May 2010 that the Gordon Bajnai-led Socialist government's budget contained falsified data. The main figures in the budget law had nothing to do with reality and the 3.8% of GDP deficit would have been in fact over 7%, Matolcsy said. In this regard the former finance minister noted that "falsification is what is going on now because György Matolcsy forgott to present the items by which Fidesz corrupted the 2010 budget." "The minister cites big numbers but remains silent about the details of these figures," he added.

Source: Portfolio.hu

Matolcsy lied?

Talking in Duna TV's talk show „Közbeszéd” [literally: „Common Talk”], Péter Ákos Bod, university professor of economics said that recently announced government measures were not discussed at all at a meeting of more than 10 notable economists with prime minister Viktor Orbán and the minister for national economy, György Matolcsy.

„Experts warned the government not to change the proportional tax system and not to increase taxes (especially income taxes)” – declared György Matolcsy last Thursday. Péter Ákos Bod did not remember that, however. He told that, during the whole consultation that lasted for almost three hours, they had not really talked about what the government should do next; the PM and the minister for national economy were more interested in how the invited economists saw „the course of the world as well as economic and social conditions in Hungary”.

The professor considered Mr. Matolcsy's announcement – that notable economists expressed their outright support of the flat tax system – to be 'interesting', given that it was not really the case. In fact, Mr. Bod still thinks that the flat tax rate did not reach its original aim, its philosophical basis is also questionable; he did not like it and he still doesn't like it – but 'everybody' accepted that it was a major concern for the prime minister and that he was committed to it. However – according to the professor –, at least 8 of the 11 invited economists believed that „if the government is in need of revenues ..., then progressive taxation or the introduction of a solidarity tax is not a bad idea”. Also, the professor expressed his hope that the government's rigid stance on taxation might change in the

future.

Mr. Bod added that they were not asked about the government's economic policies, nor its directions. He also added that it was mainly the task of the government, though, that's why they were „not told many things” about these issues. However, if there is a substantial deficit in the budget, then the actual finance minister usually starts out with raising (excise) taxes levied on tobacco, alcohol, fuel and gambling. This does not require any vivid imagination on his/her part, but generally, these items come first when tax increases are urgently needed due to budgetary problems – the economist noted.

Some days ago – also on Duna TV – another participant of the Thursday consultation, economist László Csaba expressed quite harsh criticism regarding the government's current economic policies. Regarding the flat tax system he said: „the tax system is a glass bead for politicians, and they like playing with it”. Nevertheless, tax increases are more or less inevitable in an environment where almost all kinds of tax revenues fall short of expectations. An extremely disciplined course is needed not only in the coming months but also in the coming year, which will probably include many unpopular measures such as tax increases and decreasing spending – the economist added.

Socialists turn on full

According to information of the daily newspaper Népszabadság, MSZP is going to make politics in a different way from autumn 2011. They are planning to show more initiative and be more provocative. Socialists are not just going to use their remarks on plenary sessions as criticism against the government, but will also disclose their political message. They are going to deal with two-third acts separately: Every single two-third act is going to be handled by a substantive rapporteur team, no matter what the subject is. To a question from Népszabadság where they think a compromise would be possible, Attila Mesterházy, chair of MSZP answered that everything depended on the attitude of the government. Mesterházy said for example that they agreed with the education concept of Zoltán Pokorni, vice-president of Fidesz. He added that they were open to any solutions in meaningful debates either in health or employment issues. Mesterházy said that they were open to any options, which support the fight against of unemployment. They suggest extending communal work to eight hours, and they could support some steps taken in economical crisis management, however, it is impossible to see what the government wants to do. Socialists are also more open in the case of the reform of the election system. Originally, they motioned a pure party list election system against the government's motion of a less proportionate system. According to Népszabadság they are open to the government's motion but only in the case of real compromise and if there will be no dictates. Socialists are also planning to hold a congress in autumn, likely to be held in October. The congress could modify the party constitution and party members would be given the chance to debate on policy and ideological issues. According to the sources of Népszabadság, this will be an extraordinary congress, while it will last one and a half days together with cultural events and professional workshops. Not just party delegates will be given the chance to participate in the events.

Socialists call on Orbán to apologise over remarks cited in Wikileaks cables

Hungary's opposition Socialists have called on Prime Minister Viktor Orbán to apologise for his “lies” revealed in diplomatic cables published by Wikileaks, which cite Orbán saying in 2006 that his campaign promises should be “ignored”. News portal origo.hu reported on Tuesday that a diplomatic cable from April 2008 cited Orbán as telling foreign diplomats back in 2006 to “pay no attention to what I say to get elected”. In the same cable, Orbán is quoted to have talked about his election prospects to former US ambassador April Foley and diplomats. “It's not complicated – we are telling the people that we will restore the nation to greatness and telling the business community what they can expect from a Fidesz government.”

Zsolt Török, spokesman for the Socialist party, said after Tuesday's cabinet meeting in which Orbán announced further debt cuts in response to lower economic growth, that the prime minister's

utterances should be treated with skepticism. “How can we believe now that he will create one million jobs?” Török said. Socialist lawmaker István Tukacs, a member of parliament’s budget committee, insisted at a press conference today that the government was about to decide on new austerity measures in connection with the 2011 and 2012 budgets. Tukacs said the government’s economic policy had failed because it had not brought about promised economic growth. He cited the Wikileaks cables, claiming that they proved that Orbán “wanted to purposefully mislead his voters”. He added that Orbán should make it clear “which of his earlier campaign promises should be taken seriously”.

In response to a question on whether he had been lying to voters, Orban, returning from a two-day cabinet meeting, said that he still considered his actions more important than his words.

Source: MTI

It is no joke!!! – The Desk of the Constitution

The Declaration of National Cooperation was hanged on the walls of entrance halls of all public institutions a year ago. All other institutions and local councils were only asked to follow suit.

Now a new symbol has arrived: the Desk of the Constitution. From now on, „in order to properly circulate the Constitution to all citizens”, local councils are obliged to create a suitable space where citizens can order a copy of the Constitution, that is a desk covered with a glass sheet, a chair, a dressed copy of the Constitution, a pen, a national tricolor ribbon and some sort of decoration. Also, to put icing on the cake, a plaque must be placed above the installation saying „The Desk of the Constitution”. In a letter issued by Erika Szabó, Civil Service Secretary, there is a step-by-step instruction as to how to create the installation. The letter also specifies that it is going to be the job of one office clerk to support and service the desk. One copy of the Constitution, signed by László Kövér, Speaker of the House, can be requested by anybody free of charge through a simple application form dropped to the collection box placed besides the Desk of the Constitution.

Parliament enacted the new Constitution of Hungary – effective from 1 January 2012 – on 18 April, which then was signed, in a formal ceremony, by President Pál Schmitt on 25 April, Easter Monday.

Did the idea of the “Table of the Constitution” come from Imre Kerényi?

According to an e-mail obtained by the daily Népszava, the idea of the so-called “Table of the Constitution” originally came from theatre director Imre Kerényi. The plan was completed in May, but the competent state secretariat just ordered its realization last week. The idea is supposed to promote the new constitution of Hungary, and it requires the municipalities to provide a separate room, table and a table attendant for the constitution from the 1st of September. According to the newspaper, Kerényi wanted to implement this measure in May already, and he had several other suggestions as well.

Socialists urge multiple-rate tax, social security contribution cut

The main opposition Socialists have called on the government and lawmakers to consider their proposals seeking re-introduction of a multiple-rate tax-system, the reduction of social security contributions and a scheme of assisting borrowers with foreign currency mortgages, party officials told a press conference on last Sunday. The 16 percent flat-tax system the government introduced in January leaves every earner with HUF 2,200 (EUR 8) less on average in their pocket per month, said spokeswoman Kata Kormos. The Socialists therefore repeatedly propose the introduction of a more equitable, progressive multiple-rate tax system, party spokesman Zsolt Torok said. The party also proposes a phased reduction of the social security contribution, first by three percent and then by another two, said Torok, which he said would help create more jobs. He said the party urges lawmakers to adopt a nine-point assistance programme the Socialists have proposed to help troubled foreign currency mortgage holders.

The Socialist call came after that prime minister Viktor Orbán told a press conference: the Hungarian government will cement its flat tax regime in 2012 and continue to cut public debt. After

meeting president Pál Schmitt on last Friday, he said: "Hungary will defeat the crisis", adding that the multiple-rate tax system had been unfavourable to labour and played a key part in taking the country to the brink. Orban said he and Schmitt had talked about the problem of tax evasion and fraud, especially regarding value-added-tax (VAT). "Hungarian entrepreneurs have yet to become diligent tax payers in return for the government's significant tax cuts for businesses," Orban said. He added that tax authorities must "perform better in this area". Schmitt agreed that tax morale was essential. The government will take steps to help the most vulnerable groups of society, the prime minister said. He added that the president expects measures to be drawn up targeting the poor, the unemployed and those indebted in foreign currencies and facing default. Orban said these measures could be put to parliament in the autumn session.

Source: MTI

„Chips tax” to improve the state's short-term finances

On September 1. Hungary introduced something that is officially called the "public health product tax," but which everyone is now calling the "chips tax" (*chipsadó*). Under the law, manufacturers of soft drinks, energy drinks, pre-packaged sweet cookies, salty snacks and seasonings will have to pay various levies depending on the sugar and salt content of foods and drinks. For soft drinks, the tax will be payable if the fruit content is below 25% and the sugar content is above eight grams per 100 milliliters. Energy drinks will be taxed if they contain more than 10 milligrams of caffeine per 100 milliliters. Manufacturers of pre-packaged cookies will have to pay the tax if their product contains more than 40 grams of sugar per 100 grams, and salty snacks will be taxed if their salt content is over 1% of the total weight. For seasonings, the limit is five grams of salt per 100 grams. The amount of the tax is HUF 5 per liter for soft drinks, HUF 25 per liter for energy drinks, HUF 100 per kilogram for cookies and HUF 200 per kilogram for salty snacks and seasonings.

Hungarian news portal, Figyelo.hu reported, that food manufacturers subject to the tax may react by developing new recipes. In the case of salty snacks, companies are expected to reduce salt content slightly, which will not noticeably affect the taste (but could bring them down below the mandated level) while other manufacturers are expected to create a product portfolio which includes food with reduced caffeine, sugar and salt content.

Krisztina Béla, head secretary of the Federation of Hungarian Confectionery Industries, pointed out that the tax being applied only to pre-packaged sweets means that some price-sensitive consumers will opt for lower quality bulk candy. Some manufactures subject to the tax instead of making their offerings less salty and sugary, are deciding to lay off employees and delay already-planned expansions. One of the first was the German owner of Chio Magyarország Kft. - makers of the delicious salty crisps - which announced that because of the tax it would not build a HUF 1 billion (€3.66 million) factory to make peanut-flavored products and popcorn in Hungary.

Sándor Képiró died at age 97

The suspected Nazi war criminal who served as a gendarmerie captain during the war, had been charged by prosecutors with alleged involvement in the anti-partisan raid in the Serbian city of Novi Sad, then under Hungarian control, on January 23, 1942. Mostly Jews and Serbs were killed. Képiró returned to Hungary in 1996 after decades in Argentina. Some 1,246 Jews, Gypsies and Serbs were killed between January 21 and 23. Képiró, who was at one time named by the Simon Wiesenthal Center as the organization's most wanted Nazi war criminal, fled to Argentina after the war, before returning to Budapest in 1996, where the Simon Wiesenthal Center tracked him down in 2006. Képiró was acquitted in July in a trial at the Budapest Municipal Court, but the prosecution appealed the decision. The court case was considered one of the last of the Nazi war crime trials, due to the likely age of any defendants. Képiró, who returned to Hungary from exile in Argentina in the 1990s, claimed innocence throughout the trial.

Radio tenders won under political pressure, WikiLeaks says

It is “obvious” that media authority ORTT made its decision on the radio frequency tenders of commercial radio channels Sláger Rádió and Danubius Rádió under political pressure back in 2009, online news portal Origo reported, citing the documents of the Hungarian US Embassy leaked by WikiLeaks.

The documents showed that the American diplomats had strongly objected to the tenders to Gordon Bajnai, who was Hungary’s Prime Minister at that time. Bajnai himself also considered the case as a slur on his work as a PM and said that he had “no leverage” on the politicians so he could not prohibit such cases. In 2009, Hungary’s most popular radio channels, Sláger and Danubius unexpectedly lost their frequencies to NeoFm and ClassFM, radio stations reported to be in the interest of parliamentary parties Fidesz and MSzP.

Source: Budapest Business Journal

Hungary to further cut state debt, set to plug HUF 100 billion hole in budget - PM

Hungary’s government will reduce state debt by four percentage points this year to 73% of GDP, Hungary’s Prime Minister Viktor Orbán told a press conference after a two-day cabinet meeting on Tuesday. The cabinet will also step up tax collection and targets to raise HUF 40 billion more from VAT, Economy Minister György Matolcsy said, adding that three other measures will generate HUF 90 bn revenues and HUF 10 bn will be received as dividend. This should plug the HUF 100 bn hole hit in the budget by meager economic growth.

Before the press conference local news portal origo.hu learned that Hungary’s National Economy Ministry has slashed its economic growth projection to 1.7% year on year for 2012. Citing government sources origo.hu said the ministry now expects Hungary’s gross domestic product to grow by 1.8% this year and 1.7% in 2012. In its Convergence Programme the Fidesz-led government drew up two macroeconomic scenarios. According to its conservative estimate GDP was to grow by 3.1% this year and 3.0% next, while the dynamic scenario forecasted a respective 3.2% and 3.6% increase in economic output. In view of previous statements it is no surprise that the GDP estimate was taken to below 2%. What’s much more interesting is that the cabinet expects deceleration in 2012. Origo.hu said the smaller growth in 2012 (1.3 ppts below the previous conservative estimate) would distort the budget balance by 0.4-0.5% of GDP. This means the government will need to carry out adjustment measures worth HUF 120-150 billion on top of the measures outlined in the Széll Kálmán Plan (a package of structural reforms) and the Convergence Programme.

Source: Portfolio.hu

1.7 % GDP growth in 2011 - GKI

The expected rate of GDP growth this year and next year will be significantly slower, only between 1.5% and 2%, based on recent international and national statistical data – says the monthly flash report of GKI. Weak domestic demand makes it difficult to achieve the budgetary targets; however, it improves the external balance and restrains inflation.

The deteriorating growth prospects of the Hungarian economy are in part a consequence of the worsening global economic environment. They are particularly adversely affected by the dramatic appreciation of the Swiss franc, because it reduces the purchasing power of people due to the growing burden of loan repayment.

Hungarian GDP stagnated in the second quarter of the year compared with the previous quarter, and it was one of the weakest results in the EU. In June, Hungarian industrial output was 1.4 % lower than a year ago, while it increased by 1.7 % in the EU. It is alarming that while industrial export has been the driving force of the Hungarian economy until now, its level has been declining since March compared with the preceding month, and the assessment of orders has also been deteriorating. The decline of sectors focusing on the domestic market continues and no changes can be expected in the second half of the year either – noticed GKI.

Domestic sales of industry have been declining for four years. Retail sales have been going down

for five years. Agriculture may help GDP, because the bad harvest of last year will be followed by an excellent one this year.

According to GKI, expected increase in real wages has not raised consumption. The value of the GKI consumer confidence index slightly increased in August, but it was before the strengthening of Swiss franc. Household consumption will not increase over the previous year. The exchange rate of the Swiss franc to the forint assumed at HUF 230-HUF 240 will consume around 2 % of household incomes, which equals to the real yields of private pension funds.

Consumer prices were 0.3 % lower in July than a month earlier, thanks to primarily the weakening upward pressure on food prices. According to GKI, inflation will be around 3.8 % in 2011 as a result of subdued consumer demand, favorable agricultural prices and frozen public utility prices. The planned government cuts may accelerate the rate of inflation. The additional increase of energy and utility prices delayed in 2011 will also generate inflation. In 2012 the rate of inflation will be largely determined by political decisions. GKI says it is impossible to raise market prices because market developments would justify only very modest price increases, since the demand of households has been decreasing year by year.

The rate of inflation in 2012 will be around 3.5 %, without dramatic government intervention. According to the projection of GKI Monetary Council will leave the interest rate at 6 % for a longer period.

In the first half of 2011 investments decreased by 4 % compared with the previous year and according to GKI decrease is going to continue in 2011.

Of the major industries only the manufacturing sector indicated some growth, and, in addition to this sector, investments increased only almost exclusively in public services. Retail trade declined further as well. With the exception of agriculture and industry, other sectors are stagnating or falling back in 2011. The rate of GDP growth will be around 1.7 % both in 2011 and 2012.

In 2012 construction will not fall further and industrial production will slightly increase as a result of the starting operation of new car factories, despite the weakening general economic activity. Investments will increase modestly next year.

In the second quarter of 2011 the number of employees grew by about 30 thousand, and the number of unemployed decreased by 13 thousand compared with the previous year. Business sector's intention to employ has been declining for several months. The number of people participating in public employment decreased, and three quarters of them worked only in part time. Unemployment will increase slightly by the end of the year as there are less seasonal jobs in winter. According to GKI surveys, the rate of unemployment is going to be 10.5 % at the end of 2012.

The sustainability of the general government deficit in 2012 will be really critical, and the problems due to the slow economic growth make it more difficult. According to GKI, it is quite likely that the previously planned tax reductions will not be implemented next year, and a HUF700bn improvement of the general government balance will be needed.

Primus inter pares – Gyula Budai highest paid MP with monthly salary of HUF 2.2 million

Accountability commissioner Gyula Budai is the highest paid government commissioner and MP, with a gross monthly salary of more than HUF 2.2 million, Hungarian daily Népszabadság reported. Budai earns more than what Speaker László Kövér earns officially - a monthly HUF 2.1 million, nearly half a million HUF more than PM Orbán. Parliament lowered MPs' salaries in June, but the change in law did not apply – amongst others - to government commissioners.

European Commission to examine Hungary Labor Code draft

The European Commission will examine whether a draft of Hungary's new Labour Code is in line with European Union law, László Andor, European Commissioner for Employment, Social Affairs and Inclusion, said after meeting with union leaders in Budapest on last Friday. In a joint statement, the unions said they expressed their concerns about the new code at the meeting. Unions plan to demonstrate in front of Parliament on September 12, the first day of the autumn session, to protest

the Labour Code they say aims to make existence "impossible" for unions. The government is expected to take a decision on the draft code in the autumn and submit it to Parliament.

Source: MTI

Wine Festival at the Buda Castle

The Budapest International Wine Festival celebrates its 20th anniversary this year. The exhibition and fair opens on Wednesday 7 September and runs through until Sunday, with 220 winemakers from 15 countries offering some 5,000 wines for tasting.

Comments

Letter to the Chairman of the Immunity Committee of Parliament

To Dr. György Rubovszky, MP
Chairman

Honourable Chairman,

In April 2011, Péter Polt, Prosecutor General, turned to Parliament and requested the lifting of my immunity, as his Office wished to accuse me of an abuse of office. According to Péter Polt's submission, at an official meeting in Parliament, I met with the investors behind the planned Sukoró project (*related to the construction of a casino and hotel complex at Lake Velence – editor's note*), and, at the end of the meeting, I assured them of my support for their plans, thereby committing a crime.

The Immunity Committee found the initiative of the Prosecutor General to be unfounded, and therefore asked for the submission of 6 different parcels of documents before taking the matter onto the agenda in the first place. The Committee did not ask for anything unusual: minutes and government papers. Péter Polt rejected the Committee's request in a harshly worded letter. But you still did not yield, and, in a further letter, held on to your original demand. Finally, in July 2011, one of the 6 parcels of documents that had been asked for – the minutes of the on-going civil lawsuit related to annulling the real estate swap – was submitted to the Committee.

I have read the minutes forwarded by the Prosecutor General's Office. According to them, the civil court in charge has heard about a dozen witnesses so far. In court, the witnesses were interrogated at length about what had happened at that meeting with the prime minister. As it can be read in the minutes, all witnesses, without exception, affirmed that no decision of any kind had been made on that occasion. According to their unanimous statements, I had asked whether the proposed property swap could be implemented according to the prevailing laws, and whether a concession tender for the operation of a casino could be launched. After the government representatives present had replied positively and the competent ministries declared the project – worth several billion dollars, and set to lead directly to the creation of new jobs for 2500 people – to be exceptionally advantageous for the country, I said that we were happy about such a big investment, and that everyone should now fulfil their related responsibilities in line with the applicable laws. There is not a single witness who would have claimed to have understood my oral summary of the meeting as a decision. Nobody said that after that meeting I would have asked for information about the project, or that I would have, in any way, urged the decision, or that I had asked anyone to support it.

Mr Chairman,

For several months, you and the Committee have found Péter Polt's submission to be unfounded, and therefore have rejected to put my case on the agenda. Now that you have received just a fraction of the materials requested, which, in addition, item by item, refute the claims of the Prosecution, your change of mind is quite difficult to grasp for anyone. It is difficult not to conclude that either you have deliberately staged a comedy in spring, or that by now your Committee – and, I regret to

say, you, personally – have run out of human, professional and political strength to hold on to your original position. Whatever the truth, this U-turn is quite simply incomprehensible and disgraceful. But let that be your problem.

A couple of weeks ago, a member of the Fidesz faction publicly declared that the Committee intended to extradite me to the Prosecutor General. I do not expect anything else – neither from them, nor from yourselves. I have not the slightest intention to ask that I be allowed to hide behind my immunity. What is more: in court I wish to look into the eyes of my political and legal prosecutors, and to accuse them, and you, of dishonesty, intrigue, and crimes against human, professional, and political standards.

Mr. Chairman,

If the Prime Minister's support of an investment so highly beneficial for Hungary, and the public expression of that support is indeed a crime, then I have committed this crime countless times. In that case I have abused my power many times. Undoubtedly, some in your party alliance regard it as a virtue to hunt away an investor, as it has happened, a couple of years ago, in Gyöngyös. And, obviously, it is also in the nation's interest when investors – hearing from your hair-raising potato chips tax – abandon the country. This is not how I think, not how I have governed. I will face my prosecutors in complete calm, and I have no doubt that I will be able to defend the truth, and my integrity.

Considering the above, Mr. Chairman, you may perhaps understand that I have not much to discuss with you. Accordingly, thankfully, I do not wish to avail myself of your invitation.

Ferenc Gyurcsány; Facebook, September 5, 2011.

Brigands

First, a few words factually about the documents sent by the Chief Prosecutor's Office to the Parliament:

1. In April 2011, the chief prosecutor, Péter Polt, asked the Parliament to relieve me of my immunity so that I could be charged with abuse of authority.
2. According to the chief prosecutor, during an official meeting in the Parliament with the leaders of the Sukoró Project, I supported the investment; what's more, I made a concrete decision about the exchange of real-estates. This fact, in Polt's opinion, was a transgression of my competence; therefore I must have misused my powers.
3. The Immunity Committee did not find Polt's request adequate, so it requested six different documents, including minutes and governmental records.
4. The chief prosecutor refused to accept the Immunity Committee's request for more documents.
5. The Immunity Committee insisted on the requested documents.
6. Polt agreed to send the minutes of the annulled real-estate exchange to the Committee. But he still refused to provide the other five outstanding documents.
7. I looked into the correspondence between the chief prosecutor and the chairman of the Immunity Committee. I thought that the chairman's stance was exemplary.
8. I ran through the minutes sent over by the chief prosecutor. These minutes are the documents of a civil lawsuit launched by the Bajnai administration in order to annul the real-estate exchange.
9. The court heard the testimonies of dozens of witnesses, which were not relevant to the case. However, the judge showed great interest in what might have happened in that prime ministerial meeting in May 2008.
10. According to the minutes, witnesses told the court that no agreement had been reached during the meeting. The prime minister asked whether the land swap was legal and, whether the running of the casino could be leased out. After an unanimous yes from his governmental co-workers, the prime minister said that we should feel happy about the investment, and that everything should happen according to the law.

11. There are no testimonies that would interpret my summary as a concrete decision. There are no witnesses who would say that I rushed the process of decision making or, for that matter, I asked anyone for support.

So, after the chief prosecutor's failure to provide the five outstanding documents to the Immunity Committee, what could possibly explain the sudden change of heart of the chairman? I'd rather not answer this question. This is a pathetic show trial designed put the former prime minister in prison. First, they had to find a scapegoat, to which later they fabricated a crime. Well done to Péter Polt, who is sitting in the silk chair that belongs to the chief prosecutor, and for which the price was my humiliation and political destruction. But, at one point, when he is no longer sitting in that silk chair, he will despise himself for what he did. And I will pity him without despise or anger. As far as Mr. Orbán is concerned, nothing can keep me from despising his politics and political machinations. He will go down in history as a scoundrel, a hapless Richard III, who fell into his own trap. I know very well that the prime minister would like to see me locked up. But anything he does, no matter how low he stoops, will only give me greater strength. I don't want to play the role of a martyr. But should anything happen, I will face it and fight it. Their intrigue will never break me.

Ferenc Gyurcsány; Facebook, September 1. 2011.

Soul diver – to the Wikileaks disclosures

Maybe Gyurcsány felt well in the company of the Russians, maybe not. I don't know about that since I'm not a soul diver. But I definitely think that if he really liked the Russians, then it was because of the complexes that he had amongst western leaders. This is the last thing I could imagine about him. Of course I might be wrong and the soul diver diplomats understood the situation well. However, even if that was the case, they should have thought a little bit beyond Gyurcsány's allegedly personal motivations, about the reasons why the relations had become significantly deeper and intensive during his premiership. I wonder why these good diplomats never thought about that. Why did they think that it was all about personal motivations?

But it would not have been a big deal to realize that other than personal admiration, much deeper reasons drove Gyurcsány into a more intensive relationship with the Russians between 2005 and 2008. No particularly sharp mind would have been necessary to realize that.

1. The first reason to have a closer relationship with the Russians was the realization of the fact that in order to improve economic relationships, we needed to strengthen our political relationships first. Here, Gyurcsány did not do more than follow the path that was started by Péter Medgyessy (Gyurcsány's predecessor). This approach came into fruition. The trade volume grew sharply between 2002 and 2008, until the start of the world economic crisis in both countries. The trade turnover between the two countries was USD 2,7 billion in 2002 (Hungarian export: USD 455 million, import: USD 2284 million), while six years later the turnover exceeded USD 14 billion (Hungarian export: almost USD 4 billion, import: USD 10,2 billion). This is a very sharp increase – 500% in 6 years –, and the best part is that Hungarian exports grew by 800%, while imports from Russia grew by 400%). This happened during the very years when the price of energy grew significantly. At year end 2003 the price of one barrel was below USD 40, then it peaked at USD 147 in the summer of 2008. I don't know what would have happened if Hungarian exports hadn't been able to grow that rapidly. In all circumstances we would have to pay for the energy – oil and gas – while we wouldn't even have any other alternative to purchase gas. So I don't get the point of the diplomatic cable that states that Gyurcsány had overestimated the importance of the economic relations with Russia. This is the situation when we say that nothing is too precious for a bystander.

2. The other circumstance bringing Moscow and Budapest closer to each other was the result of a development completely beyond our control. This was the active role of Poland in the political changes in Ukraine, which cooled down flourishing Russian-Polish relations immediately.

3. And finally there was a third reason that made intensive dialogue necessary. It was exactly these years when Russia launched the South Stream project. The launch of such a strategic plan itself

rendered more intensive political dialogue necessary. (We should not forget that, although it is not common to talk about it, this had originally started out as a Russian-Italian plan. In relation to the connection to the South Stream it was not Putin, but Romano Prodi, prime minister of Italy at the time who approached the Hungarian prime minister. There was a very simple reason for this: Italy was too much dependent from North-African energy transports, and the South Stream would function same way for them: diversification just like the Nabucco project for us. So when the Hungarian prime minister nodded in approval to the project, he not only took into consideration the energy supply security of his own country but also the security of an allied EU member state. From the fall of 2008, however, it seemed to be obvious that there were obstacles not only facing the realization of the Nabucco project, but the future of the South Stream project also became uncertain due to the global financial crisis.)

Maybe this can be enough to see the reason how Gyurcsány – even if he had personal motivations – wasn't influenced by his own personal feelings, but by very rational reasons. He tried – by representing the interest of the majority of the Hungarian political community – to improve the relations between Russia and Hungary.

Zoltán Sz. Bíró; galamus.hu; September 4. 2011.

Understanding Orbán 3.

Politics is not more not less a profession for Viktor Orbán – as he often talks about it. It is a profession like any other, moreover politics has clearly stated objectives and criteria for success. The striker must score goals, the banker must make money, and the politician must win votes, voters (even if the politician has to solve problems or in other cases differently). Everything else is irrelevant and of no concern regarding the end result. No matter how the goal is achieved, the important thing is that the judge gives it. Orbán thinks about politics in the simplest way: he knows the rules, he finds the loopholes, he changes the frame if he can, and he conforms to it if he can't. With every step he has just one aim: political success; all others like objectives, contents and options come second. Whatever he does, he concentrates on one thing only, he selects for one thing: is something yields votes, it is good; what harms is bad, and what makes no difference is not relevant (...).

The prime minister is not obsessed with power, he is not the devil incarnate, or knight redeeming his realm (or if he is any of these, this is not important for understanding him), but he is a simple politician who tries to win and retain his voters, people full with problems in a more conscious and persistent (often more successful) way then any other politician in the country.

Politics could be more beautiful, of course, one could fight for nobler and truer goals, but as long as the others do not know what Orbán knows, his position will remain unwavering. Orbán cannot be defeated on the pages of the weekly „Élet és irodalom” but only within the political terrain. In the very same place where only force counts against force (and force in politics means votes, mandates, positions, will and tenor – i.e. power). And today there is not anyone other than Orbán who could achieve all of this at the same time, or who would dare try.

Of course Orbán should know, and he most probably does know well: The fact that there isn't anybody else now does not mean that there will not be somebody once (but he does not remain lazy on his laurels...). And his adversaries should see clearly that it is not true that there will be somebody soon – especially not automatically and without any work done.

http://torokgaborelemez.blog.hu/2011/09/04/392_megerteni_orbant_3

Chipping Away at Hungary's New "Chips Tax"

For one thing, anyone who believes the government is primarily motivated in improving the health of everyday Hungarians is a few chips light of a full bag. They put this tax in place because a) they desperately need the cash; b) consumers are unlikely to notice an extra few forints tacked onto their favorite snack or bottle of fizzy sugar water; c) the companies responsible for coughing up the tax are mostly foreign-owned; d) it might be good for some "progressive" PR of the sort the current

government seldom enjoys; and e) just like the politically-correct food police types they generally don't agree on much with, they just really like telling people what to do.

Put it this way: If the government was interested in using the tax code to help make Hungarians healthier, their first act in office wouldn't have been to drop taxes on the home distillation of high-proof alcohol.

(Almost) needless to say, the selective application of the tax means that heaps of food even unhealthier than salt-flavored crisps will be left untouched. And it may even lead consumers to eat worse.

http://www.chew.hu/welcome_to_the_maybe_healthy_a.html

Vikinomics vivisected

In a stunning policy reversal, the government was briefly contemplating last week the introduction of a solidarity tax, which in effect would mean the abandonment of its most treasured reform, the flat tax. Economic policy overall has failed to deliver on the government's projections, which were not all too ambitious to begin with. Most pressing, however, are the budgetary troubles, as sluggish growth yields less revenue than anticipated.

Prime Minister Viktor Orbán has wagered his entire economic programme on the unorthodox supply side policies proffered by György Matolcsy. The risky wager looks increasingly like a deal gone bad. The government is continually plagued by the need to revise revenue and deficit projections.

The central tenet of Fidesz' economic plans, if you recall, was that all the crisis-stricken Hungarian economy needed was a major tax cut. Fidesz had been pushing this point relentlessly for a while now, well before it actually assumed the helm. Orbán's famous pronouncement on the issue was that "the greater the crisis, the larger the tax cut" that is necessary. The imposition of ever new austerity measures is already a striking departure from Fidesz' communication in opposition. The issue is not only that Fidesz bashed all and any attempts to curb spending between 2002-2010. It was not only against specific measures, but as opposition leader Orbán argued on grounds of economic policy that austerity measures were bad.

Those who follow the Fidesz-aligned press and saw there a surprising critique of the flat tax and its effects might have had an inkling that such a move was in the offing. Most observers, however, were caught off guard. Fidesz was so in love with the flat tax rate that it is considering enshrining it in the constitution, so that future governments won't have the option of changing back to a system of progressive taxation.

The government has continuously insisted that the flat tax is its most important policy measure and the basis for its economic programme. Its abandonment, even temporarily, would be an acknowledgment that the economic programme is not developing as planned. While the higher tax rate on high earners would be a welcome change – especially in light of the fact that the higher net incomes of top earners have done little to nothing to spur economic growth – it is insufficient if it is merely another avenue for collecting more money.

The question now is whether this will lead to strategic adjustments beyond the attempts to collect more money for the unhinged budget. Fidesz is famously disinclined to admit mistakes, and abandoning its economic course would be a harsh blow. But with the international environment increasingly dashing hopes that a global boom might help spiral the Hungarian economy out of its puny and insufficient growth, the day of reckoning might come sooner than even some critics of the government's economic programme anticipated.

http://www.policysolutions.hu/userfiles/file/Hungarian%20Politics%20In-Depth_2011_Week35.pdf