

Weekly Newsletter

News

Thousands expected to protest as Gyurcsány says arrest likely

Several thousands people are expected to gather in front of the office of the public prosecutor on October 3. to register their support for former prime minister Ferenc Gyurcsány, who faces an investigation into an allegation that he overstepped his authority while in office in connection with a land-swap deal, an opposition official said.

Csaba Molnár, the deputy chairman of the Democratic Coalition, a platform within the opposition Socialist party, told a news conference on Tuesday that protesters in support of Gyurcsány — who heads the platform — would be asked to “stand guard for the republic, for democracy and for the rule of law”.

He also asked people who are expected to turn up to the demonstration to leave their fingerprints on the white banners to be provided, in a symbolic act while “Ferenc Gyurcsány is forced to give his at the behest of the prosecutor who is taking political orders from [prime minister] Viktor Orbán.”

Molnár said more than 10,000 people had registered their support in an online petition. Eighty of these are public figures, including economist László Békesi, former Budapest mayor Gábor Demszky, philosopher Miklós Gáspár Tamás, writer Rudolf Ungváry and television presenter István Vágó.

Gyurcsány’s parliamentary immunity was lifted on September 12. The former prime minister said in an interview to political weekly 168 Óra that he expected to be remanded in custody but not to be placed in preliminary detention.

Source: MTI

Socialist split widens

The parliamentary group of the Socialist Party passed no decision in connection with former prime minister Ferenc Gyurcsány’s initiative to withdraw the party’s deputies, at an extraordinary session on last Thursday. Gyurcsány, who leads a progressive reform group within the MSZP called the Democratic Coalition Platform, had told reporters on last Wednesday: “This is not about a power struggle... A year-and-a-half after losing the election we have not gained a single new supporter.” The former PM (2004 to 2009) warned that the far-right party Jobbik had caught up with the Socialists in terms of public support.

Gyurcsány’s faction has called for almost all MSZP lawmakers to resign. All but two of the MSZP’s 49 representatives gained their seats through proportional representation lists, so the party would be able to fill the 47 vacated seats with candidates of their choosing.

Party Chair Attila Mesterházy told reporters after the meeting that MPs can return their mandate any time if they wish so. According to Mesterházy, the platform is preparing a scenario to quit with the party, and is looking for an opportunity to leave. The party leader called the procedure “dishonest” and said that if Gyurcsány and his followers really want to leave, they should do so with no delay. “It is not obligatory for one to be a member of the Socialist Party if it takes him constant fight and compromises he cannot make,” he added.

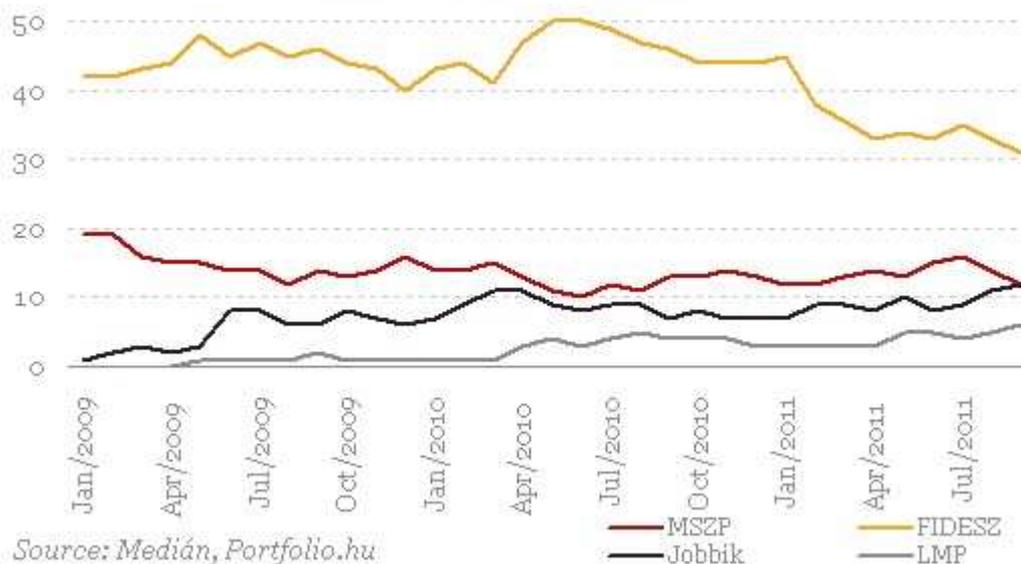
On the same day, Gyurcsány informed state news agency MTI that he has been called to appear before public prosecutors on October 3. Parliament voted on 12 September to lift Gyurcsány’s parliamentary immunity after the chief prosecutor asserted there were grounds for suspicion of abuse of office relating to a casino investment. Before the vote, the former PM railed against the preparations for a politically motivated “show trial”.

Source: Budapest Times, MTI

PM Orbán's popularity hits all-time low

Every senior member of Hungary's governing party has become less popular since July. The one that has lost most appeal in the eye of the people is Economy Minister György Matolcsy (7 percentage points) and the popularity index of Prime Minister Viktor Orbán has never been as low as in the latest survey published by pollster Medián. The discontent of the population has grown further in September - nearly 70% of the respondents now believe things are not going in the direction they should be in Hungary. Medián's survey shows that only 40% of the respondents would be willing to turn out at the polling booths if elections were to be held this Sunday. The voters' passivity has not been this strong since 1991 in Medián's records. The governing Fidesz party continues to lead the popularity ranking, although its public support ebbed to 31% from around 50% in the spring of 2010 (the elections). Support for opposition parties the Socialist Party (MSZP) and far-right Jobbik is 12%, while green party LMP enjoys (does it really?) a 6% support.

Support for Hungary's main parliamentary parties among eligible voters (%)

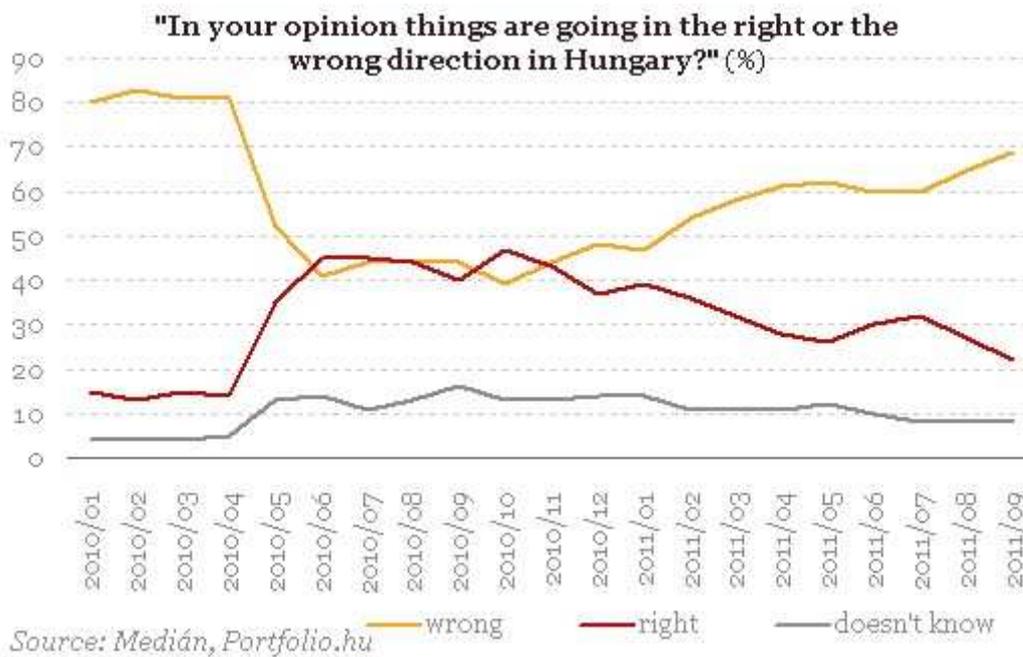


The popularity of virtually every politician in the governing party has diminished since July to a smaller or a bigger extent. On the popularity front the biggest loser was Economy Minister György Matolcsy whose index dropped 7 percentage points. In early July, only about a fifth of those who were aware of who Matolcsy was said he should indeed be in an important political position.

The popularity of Prime Minister Viktor Orbán has been declining ever since he formed his government in the spring of 2010 and his index hit an all-time low of 38% in mid-September, Medián reported. In his worst days (Dec 1999) his support stood at 41%.

The crisis has been clearly grinding down the people's optimism. Irrespective of the preferred party there was hardly anyone among the respondents that said there is no problem with the Hungarian economy. A sweeping majority (79%) said unambiguously that in their view it is a crisis on our hands. The majority did not believe even before the measures planned for 2012 were announced earlier this week that "the word austerity is not in the government's vocabulary".

The ratio of those who are content with the government's job dropped to below 30%, while 69% of the population believes things are going in a wrong direction. The ratio of such dark views has never been this high under a Fidesz government. The previous negative record was recorded in February 2011 at 65%.



Source: Medián, Portfolio.hu

MSZP: the education system in danger

Ágnes Kunhalmi, board member of the Socialist Party (MSZP) stated in a Sunday interview in Budapest that there was a bad tax and economic policy in force in Hungary, and unfortunately the education system has fallen victim to these policies. She added that the government wanted to exclude the youth from the higher education system because, as they say, there are too many students in Hungary. Kunhalmi cited Viktor Orbán's words from February 2008, when he stated the contrary. According to the socialist politician, the government intends to halve the number of state-funded university places and double the tuition fees. According to Kunhalmi, the higher education system will only be affordable to a narrow elite in the future. The government wants to increase the number of students in vocational education and, in order to reach this goal, it reduces the number of available places in high schools by 40 %. Unfortunately, the government has also reduced the duration of vocational education from 4 to 3 years, which undermines its quality. Kunhalmi also stated that it was not true that the nationalization of the education system would result in equal opportunities. Money and quality education are needed to realize the latter, however, there is nothing but austerity measures on the horizon.

Source: MTI

Hungary's scandalous foreign reputation

According to the latest survey of the German institution ZEW and Erste Bank, prepared by interviewing 82 financial analysts and portfolio managers working with the region, the Hungarian stock market's outlook improved slightly in September compared to that in August. However, the improving outlook of BUX (*Budapest Stock Exchange index*) is not mirrored in the opinions about the outlook of the Hungarian economy. In fact, the financial sector has a scandalous opinion of the Hungarian economy's current position. Only 5.2% of those asked think that the current situation of the economy is good; while with a drop of 13.9%, the ratio of those who think the economy's position is satisfactory decreased to 33.3%. The rate of those who think that the economy's situation is actually bad jumped significantly, by 11.5% to 61.5%. This means that experts see the situation of the Hungarian economy as the worse in the region, worse than that of Romania and Croatia, not to mention the economies of Slovakia and the Czech Republic, which are seen in a much better shape. As a direct result of the government's measures last month and the deteriorating world economic

environment, we even lost our doubtful hope that we had up to now according to the experts. At least until now we fared relatively better when it came to the outlooks, obviously the experts thought that the worse the situation, the more hope there is for improvement.

The ratio of those who think that the country's economic performance will worsen jumped significantly by 23.2% to 60%. In terms of outlook, Hungary managed to achieve the worst ranking amongst the countries analysed.

According to the analysis, the ratio of those who expect the increase of long term interest rates jumped significantly to 51.3% from 24.8% a month ago. The outlook of the Hungarian forint deteriorated as well, the experts now expect devaluation as opposed to earlier appreciation expectations. The Hungarian Forint got the second worst qualification after the Croatian Kuna in the region.

Source: Napi.hu

Hungarian government plans further tax hikes

Hungary's government, which is to finalise the 2012 budget bill today and address changes to the tax regime, is planning further austerity measures on top of those that have already been announced, local news portal origo.hu reported.

Prime minister Viktor Orbán and Economy Minister György Matolcsy informed the parliamentary groups of the ruling Fidesz-KDNP (Christian Democrats) coalition about the main features of the 2012 budget. The PM's spokesman said after the meeting that the cabinet will finalise the draft budget on Wednesday and it will be submitted to Parliament by Friday. Péter Szijjártó said last week the government "does not even dream of" returning to the former progressive tax system and will keep working on completing the flat tax regime. Then he said Matolcsy will show the government his detailed proposals in this regard today. Szijjártó told journalists last Wednesday that in 2012 they will phase out the remaining parts of the previous "deformed" tax system, such as tax credit and half super-grossing. Both of these will be cancelled for those who earn less than gross HUF 202,000 a month and those whose income exceeds this level, half super-grossing will be phased out in two stages, in 2012 and 2013, he added. Should those earning less than HUF 202,000 a month lose out on the changes to the tax system, the state will compensate them from the funds it gains on the two-step phasing out of super-grossing. The government will try to compensate the substantial decline in the net wage of low-income earners probably from the HUF 110 bn budget revenues (from personal income tax) that will stem from maintaining the half super-gross tax base. The budget plan will include further tax measures on top of those already announced. Origo.hu learned that the registration tax, the duty payable on vehicle sales (transfer fee) and the levy on business gifts will also be raised.

Source: Portfolio.hu

ANALYST VIEW - Can Hungary see the wood for the trees? - UBS

Hungary has recently passed the law to allow for conversion of foreign currency mortgages, but UBS believes the plan is unlikely to help borrowers, but could create policy concerns. The government's pledge to meet the 2.5% of GDP deficit target next year is laudable but as it aims to achieve fiscal savings mainly from higher taxes, inflation and growth could be hurt. Overall, the country's good external and fiscal position are overshadowed by policy volatility, UBS said.

The recent set of policy announcements about the FX mortgage loan conversions and the 2012 budget have caused considerable market weakness and volatility in Hungary.

UBS's economists and strategists see both good and bad news in this respect. The good news is that the government "seems committed to limit the budget deficit in 2012" (target is 2.5% of GDP) and that the C/A balance should remain in a surplus (3% of GDP) next year. " So Hungary continues to focus on limiting macro imbalances."

The bad news is that "fiscal consolidation is mainly done through tax hikes and the current CHF mortgage plan is likely to result in increased financial sector and investor uncertainty in exchange

for (as it seems) relatively unclear benefits," UBS said in a research note dated 22 September. Overall, the analysts acknowledge the fiscal commitment of the government, but they believe that the "risk to the growth outlook has increased significantly."

The government passed the legislation which will allow households with FX mortgage loans to repay their loans early at a fixed exchange rate of HUF/CHF 180 and HUF/EUR 250 (vs the spot rates of HUF/CHF 237 and HUF/EUR 290).

"At current rates, this would cause a c25% loss on the loan principal for the banks. As it stands, only borrowers with free funds (or with the ability to get new HUF loans) would be able to take advantage and pay-back the FX loans early. Because of the limited practical relevance of the scheme for many borrowers, take-up rate estimates vary between 10-35%," UBS said.

According to UBS's information, the stock of FX mortgage loans at the end of July 2011 (CHF, EUR and JPY) was around CHF 22 bn (18% of GDP). The deadline to apply is end 2011, and the whole programme runs out by the end of February 2012.

"Assuming 20% take-up, banks would need to buy CHF 4 bn and their loss would be cHUF 250bn or 0.9% of GDP," UBS estimates.

"If any HUF weakness was to occur on the back of the conversions — despite the NBH's offer to meet any increased hard currency demands using its EUR38bn of reserves — those borrowers who cannot participate in the programme could end up worse-off," UBS said.

This chimes together with the views of Júlia Király, Deputy Governor of the central bank (NBH), who said on Thursday that the scheme could not only pose a "serious stability risk" to the country's financial system but could also lead to forint weakening and so it would "worsen [...] the position of clients not participating in the programme".

"Thus, the benefits of the programme are less clear, mainly when measured against the potential costs: a clash between the banks and the government, increased risks in the financial system and negative investor perception. These risks could ultimately weigh on the macro outlook through deteriorating investment prospects," UBS added.

NBH Governor András Simor said on last Tuesday after the Monetary Council left its base rate on hold at 6.00% that the bank would provide local lenders with FX from its reserves should they need it in the debt repayment scheme. (The NBH estimates that about 20% of the entire foreign currency loan stock of about HUF 5.55 trillion could be affected by the controversial repayment scheme.)

"While the plan clearly helps some borrowers to escape their FX liabilities (possibly the best and most well-to-do borrowers), it is unlikely to provide relief for the really troubled borrowers, who will lack the funds to participate."

When asked how worried the central bank was about the forint's levels, Király said at a Thomson Reuters business conference: "We do not have an exchange rate target but we would like to temper volatility."

"The reason we said what we said on Tuesday was that we wanted to alleviate pressure exerted on the exchange rate via expectations, which can cause a sudden change, and we still consider this stance appropriate," she added.

The Hungarian government has also announced the details of the 2012 budget, reiterating its commitment to lowering the budget gap to 2.5% of GDP in 2012. The announced measures to meet the deficit target would envisage fiscal savings of around HUF 750 bn or 2.5% of GDP, HUF 300 bn of which would come from spending cuts and the rest from revenue boosting measures (the VAT rate is to be raised to 27% in 2012 from 25% currently, healthcare contributions and excise taxes will also go up).

"While the government's strong fiscal commitment is very welcome and should help to keep the government debt-to-GDP ratio easing towards 72% of GDP from 75% in 2011E, the composition of fiscal measures is visibly skewed towards raising revenues," UBS said.

"The reliance on tax hikes could hamper growth in 2012 and as inflation is likely to exceed the NBH's 3% target again, the scope for any rate cuts in Hungary has diminished," it added.

In UBS's view, the risk if the currency weakness prevails is that the NBH might be forced to raise

rates. (However, the investment bank's base-case rate forecast is unchanged rates throughout 2012.) UBS said the recent announcements could cause "more policy uncertainty and create downside risk to GDP growth."

At the same time, it underlined that the government aims to maintain its prudent fiscal policy.

As for the influence of this on different asset classes it believes government bonds should be the "relative winners, but only once there is a normalisation of global risk aversion."

UBS sees "structural value" in HUF bonds, but warned that "risks of further HUF weakness in the coming weeks and mounting pressure on the real money bid for EM duration encourage us to hold off from expressing this view in the current markets."

"A more uncertain growth outlook is likely to be negative for equities at least in the short run. While fundamentally the HUF should be better supported by the current account surplus and would be fair valued around 270-275, the risk is clearly towards weaker HUF levels."

Source: Portfolio.hu

Raiffeisen not to withdraw from Hungary despite government's "grave mistake", Fitch statement

"It is a grave mistake," the CEO of Raiffeisen Zentralbank (RZB) reacted to Hungarian lawmakers decision to approve a proposal that allows foreign currency borrowers to clear their outstanding debt in one go at discount exchange rates, while the lenders are forced to bear all costs of the conversion, including exchange rate losses. Walter Rothensteiner told daily Wirtschaftsblatt that the measure will cause serious damages in Hungary in the medium term.

Moody's Investors Service warned Thursday in a new report that the law passed by Hungarian lawmakers on 19 September allowing FX-denominated mortgages to be repaid in forint at a discounted foreign exchange rate is credit negative for covered bonds.

Fitch Ratings has released a statement, in which it assesses the Hungarian government's decision to allow the early repayment of foreign currency mortgages in one go at discount exchange rates, saying the measure "could put pressure on some banks' credit profiles." The ratings agency also "has concerns" that the repayment programme could hamper the long-term development of the banking system.

Fitch released the following statement:

Fitch Ratings believes that the Hungarian parliament's decision to allow repayment of foreign currency mortgages at below market exchange rates could put pressure on some banks' credit profiles. The agency also has concerns that such measures could impede the long-term development of the banking system. The law allows borrowers to repay their foreign currency mortgages at exchange rates approximately 25% below current market rates. Fitch expects many borrowers with good credit profiles to take out new loans in Hungarian forint (HUF) to repay their Swiss franc (CHF) or euro-denominated debt.

This will trigger losses for the original foreign currency mortgage lenders. The HUF has depreciated approximately 65% since its 2008 highs against the CHF.

Fitch estimates that based on a 25% take-up rate, the proposed conversion would absorb approximately 1.5 percentage points of the Tier 1 capital ratio for the sector as a whole. Most banks should be able to absorb the immediate financial impact through their capital.

However, there are considerable differences in Tier 1 ratios and exposure to foreign currency mortgages between banks, and so some institutions could take larger hits to capital than this aggregate calculation suggests.

Furthermore, this measure, together with the bank tax introduced last year and the Hungarian authorities' generally quite aggressive policy stance with respect to the banking system could make it less likely that parent banks will put more capital and funding into the Hungarian banking system in the future.

This could restrict future credit and economic growth, and also, in Fitch's view, sets a dangerous precedent for other Central and Eastern European countries with high foreign currency lending.

Fitch has assigned Long-term Issuer Default Ratings to two banks in Hungary and both are based on support from their parent institutions. The Viability Ratings of 'b+' for CIB and 'bb-' for Kereskedelmi és Hitelbank are both well below the respective banks' IDRs of 'A-', reflecting challenges relating to increased loan impairment and moderate performance prospects. Fitch already expected CIB to report annual losses in 2011 following a negative result in 2010, and this law could increase those losses, while also negatively affecting performance in 2012.

The new law represents a response to the high level of foreign-currency mortgage lending in Hungary, in particular denominated in CHF. The significant depreciation of the HUF against the CHF and other currencies during the crisis, in addition to banks passing increased variable borrowing costs on to customers have caused the repayments on these loans to increase. Mortgage and home equity loans accounted for 35% of total bank lending at end-H111 and around 75% of these loans (i.e. about 27% of total loans) were denominated in foreign currency.

Fitch commented in June on a previous proposal, which involved the temporary fixing of HUF instalments on foreign currency mortgage loans. The agency believed that this would provide only temporary relief for borrowers, without materially reducing either their indebtedness or their foreign currency exposure. As a result, this earlier proposal was not expected to have a material impact on banks' financial positions.

Source: Portfolio.hu

GKI-Erste economic sentiment index reached its lowest level in the past one and half years

The GKI-Erste economic sentiment index adjusted for seasonal effects continued to deteriorate in September. According to the empirical survey conducted by GKI with the support of the EU the declining trend has been going on since last spring. Consumer expectations have deteriorated much.

Source: www.gki.hu

Hungarian news from the EU

Csaba Tabajdi: Only a powerful MSZP would be able to stop Viktor Orbán!

Csaba Tabajdi, head of the Delegation of the Hungarian Socialist Members of the European Parliament said in his speech on a socialist demonstration in Miskolc last Friday, that only a powerful MSZP would be able to stop Viktor Orbán. MEP Tabajdi said that Hungarians are curtailed of authentic information by the media law constructed by Fidesz-government. During that time Orbán's government took away the people's private pension fund savings and drives troubled borrowers with mortgages denominated in foreign currencies to despair. Now Orbán is planning to curtail employees of their rights and dignity. Tabajdi underlined that the measures of the Hungarian government are destroying the democratic institutions of the Republic of Hungary. He also added that the consequence of Fidesz' economic governance is the liquidation of social solidarity.

European Parliament adopted economic governance package

European Parliament adopted economic governance package on Strasbourg Plenary Session, dealt since the beginning of 2011 by either several institutions of the Union and member states. The package's aim is strengthening and monitoring economic policy and budget discipline on EU level. The Group of the Progressive Alliance of Socialists & Democrats in the European Parliament, including the Hungarian delegation was supporting the package only partly because it was neither inspiring economical growth nor creating new jobs according to their view.

European Neighbourhood Policy: Eastern neighbours should be brought nearer to the EU

Eastern neighbours should be brought nearer to the European Union according to Hungarian socialist MEP Kinga Gönöz. She said that deepening our cross border relations is valuable for all of us if democratic countries are to be found in the neighbourhood of the European Union. MEP Gönöz added that democratic neighbours are enhancing the stability and the economic growth in the whole region. Under the European Neighbourhood Policy the European Union has created a specific partnership for its eastern neighbours. The development of the Eastern Partnership is in response to the strengthening of the European Neighbourhood Policy to the south of the EU. The Eastern Partnership Summit will be held in Poland on 29 and 30 September.

Comments

Early elections in 2012?

We are facing an endless budget correction process. No doubt, the government is unable to keep a check on the budget deficit. They announce newer and newer programmes, but are unable to perform them. Just to remind you, the socialist lead governments achieved every year a lower budget deficit since the beginning of the correction cycle in 2006. This is what Orbán is unable to do now.

His troubles feed upon several sources. One part of his plans is obviously unsubstantiated. How could he imagine, for example, that he could reconsider the right of early retirement of disability pensioners until the end of the year, saving HUF 100 billion this way? This was a crazy idea. Then it is clear that in a series of fields, like in higher education or in health care, the PM is hooked on his previous populist policies. He cannot, he doesn't dare make a rational decision because he would find himself opposite to his assertions made a few years ago. There is no denying it, they thoroughly routed the administration. They sacked thousands of people, the new ones are inexperienced, and there is a kind of lack of confidence toward them as well. The consequence of the not well prepared decisions is the rampage that we can experience in case of the single-rate tax issue these past days.

I think Orbán knows that he is in a trouble. If he is not completely blind – and why would we think he is? – then he has to see that he will suffer from a permanent ordeal until 2014. The road leads only downwards from here. And the thing is that he has less and less room to manoeuvre and to make choices.

But there is something that could stabilize his position. If, with the correction of the constitution, he would create a strong presidential system and he himself would take over the role of president. Then he would call early elections in the spring of 2012, and he would mandate a government of experts to make the necessary corrections. This way he could limit the damages that he personally and his party will suffer in the coming years. And he could perhaps stabilize his own position until 2016.

I don't know if this will be that way. But I know that Orbán will be in bigger and bigger trouble with the actual structure. That is why he has to make a step forward. And that is why we have to accelerate the process of redesigning ourselves in the opposition so that the democrats can have an eligible alternative. Because there could be elections in half a year from now.

Ferenc Gyurcsány; Facebook, September 23. 2011.

The party and its assets

Silece, Order, Discipline! – that's the combative message of the Socialist Party's National Council. Isn't that beautiful?! Playing the innocent, I could lament about the fact that it's only our proposals aiming to change the culture, structure and rigid internal relationships of the party that evoke such kind of frightened passion from the leadership.

But let me diverge a bit. A couple of weeks ago, for instance, we suggested not to behave like sheep, not to endure in dead silence that Fidesz wants to draft and adopt an electoral law on a unilateral basis. We proposed to react with an active boycott to this. We forwarded to the party's chairman, in a longer letter, the reasons behind our initiative, as well as its more detailed content. Well, this proposal was not taken onto the agenda. Not only that nobody felt necessary to call a snap faction

meeting, so far it has been met with complete silence. Needless to say, that letter has not been leaked. Why do you think that is?

In reality, I would only deal with one point of the resolution of the National Council. The one in which they vigorously underline that the party's assets are indivisible. Like at the end of a bad marriage, as the pugnacious wife sits on the washing machine, and throws her arms about swearing that the machine is hers, and she intends to keep it no matter what.

Dearest friends, who the devil is interested in that washing machine? Who cares about the party assets? Not me, not us. You know, politics does not live in party offices but in the minds, hearts and souls of people. The political hope that there is a better world and we can get closer to it. Politics is as much about calm reflection as it is about passion. None of these needs party offices. It is so shabby to suppose that we are turned on by two party localities, four computers and three copiers. We do not need the Socialist Party's assets. That is what we need the least.

What we need we do not really find in the Party anymore. And here I should continue with a somewhat longer list, but I am afraid that this list of mine would offend too many people. Our debate is exactly about the fact that what we are looking for, what we think the voters are looking for seems to have been lost. And our confidence is slowly fading that we will ever find it again within this party.

If we need to part, then we need to do that in an elegant manner. Knowing and understanding that the parties, organisations and players of the democratic opposition will have to co-operate in the future as well. Therefore, it is useless to continue poisoning our relationships. What's more, we need to take care of each other.

Ferenc Gyurcsány; Facebook, September 25. 2011.

The disintegrating MSZP and the lost marbles

Infighting in MSZP has taken a turn for the worse. Attila Mesterházy, who cannot seem to do anything to improve his party's ratings, decided he would follow Viktor Orbán's example. While the PM wants to see Ferenc Gyurcsány behind bars, the party leader wants to expel him. I was hoping that it would not come to this, and the two parties could sort out their disputes and come to an agreement. That would still be the sensible thing to do if we are to restore people's faith in democracy and our democratic institutions. It is clear that Mr. Mesterházy is using Mr. Gyurcsány's attempts at renewal to divert attention from his unsuccessful leadership. Back in 2009, when Mr. Gyurcsány stepped down as prime minister, the party had about 1.5 million supporters. This number has been steadily declining ever since, and, by the looks of things, Mr. Mesterházy is unable to put an end to this negative trend. Things look even gloomier if we consider the fact that it is despite the atrocious nature of the present government that MSZP is unable to get through to the people and live up to expectations as a credible force in Hungarian politics. Despair is not a good counselor, and Mr. Mesterházy should know better than turning against the man who delivered MSZP'S last election victory, and who is still the only politician around who is capable of beating Mr. Orbán. This behavior is highly unprofessional and self-defeating. It not only means a death sentence for the party, but it also takes away the hope to rebuild our country. A statement issued by MSZP says that the party's wealth is indivisible. This sentence proves, more than anything, the utter dilettantism and detachment prevalent in the party. They don't realize that more than just money is at stake here. It is about the future of our democracy and the renewal of the Left. It is also tragic that the moral standards of certain socialists reach as far it accommodates their needs. They didn't defend Mr. Gyurcsány because they felt truly sorry for him, but to boost their own anti-Orbán image and rhetoric as a credible opposition party. Sadly, it is also true that change is only possible as long as it serves the interests of certain party members. The nature of the betrayal and why the party is coming apart at the seams is very edifying. The party is not falling apart because somebody leaked the Öszöd Speech or because certain party members betrayed their own prime minister. MSZP is falling apart because Mr. Gyurcsány established the Democratic Coalition (DK) to carry out vital reforms within the party. It is falling apart because the socialists didn't even want to register the DK, let

alone to carry out its proposals. The party is falling apart because members of the DK are ready to give their mandates back and give renewal a chance. Yes, in the eyes of certain MSZP politicians the willingness to salvage the party from utter destruction means betrayal. They don't care about the facts and the real reasons for their demise. What is killing the party is greed, corruption and certain individuals' concerns about their careers. They don't care about policies proposed by the DK. They don't want to hear about the election boycott or the establishment of bodies to investigate the misuse of power by Fidesz. All they know is that they have to scupper everything what is coming from Mr. Gyurcsány. In hindsight, I don't think that we should be surprised. Mr. Mesterházy is known to have divulged Wikileaks that he doesn't want Mr. Gyurcsány back in power. I fear that if things will go on like this, it will kill every possibility for a future coalition between the two sides. If this happens, it will also seal the faith of the country. Therefore, I would strongly urge members of the MSZP to go and find their lost marbles.

http://greczy.blog.hu/2011/09/25/a_szakado_mszp_es_az_elgurult_gyogyszer

Vona and Schiffer: Shaking hands

There are three men chatting on the balcony of the office building for MP's. The topic is unknown but the conversation seems friendly. There were just two of them a couple of minutes ago. Schiffer, the LMP's fraction leader, Dávid Héjj, researcher at Századvég and the chief of staff of János Lázár, Fidesz faction leader. (LMP defines itself as a green party, and Századvég is a political research institute with close ties to Fidesz).

They might have been watching the people arriving to the MSZP faction meeting. Gábor Vona, chairman of the far right party Jobbik was just leaving the building when he got to see them by pure chance. Vona joined them immediately. They shook hands, then they just continued talking. They cast a quick glance at the MSZP boarding room.

What could these three men think about during this short scene? Could they ponder on the recent public opinion research results that reported about a stagnant MSZP, and LMP's and Jobbik's upward trends? What sort of topic could they talk about so friendly?

Might Vona have wanted to ask Héjj why János Lázár called Vona's Jobbik a Nazi party? No, it is not an option as the chat was too jovial. So what could the topic be? If it was about Jobbik's and LMP's joint action against Fidesz's plans on election legislation, then they would harmonize their standpoints in front of Héjj, would not they?

What feelings did Schiffer have when he shook hands with Vona? Did he think about any of the Jobbik's MPs' anti-Semitic manifestations?

The point is that Schiffer and Héjj shook hands with Vona. And they had a kind chat, as if that were so natural. One could say that they are diametrically opposed, but they are not enemies and there is no problem with this. Schiffer could interpret it as giving negative connotation to these small talks was a part of the socialists' campaign launched against him. But a normal person with proper self-esteem does not shake hands with Nazis.

Ákos Tóth; Népszabadság; September 24. 2011.

Fidesz – Hungary on the world stage?

It has been in the news for weeks now that Hungary is pursuing an intensive campaign to become a non-permanent member of the United Nations Security Council (UNSC). Not so long ago – in association with Hungarian diplomats – György Habsburg attempted to make a positive impression on the leaders of several Pacific nations (which has been, until now, quite obscure to Hungarian foreign policy), while just recently, President Pál Schmitt tried to convince Caribbean, Pacific and African leaders in a bid to garner supporting votes for Hungary's non-permanent membership in the UNSC.

Although this could be a tremendous opportunity for Hungary, there are widespread concerns that the current government of the country will not be able to take advantage of it.

The most important matter that needs clarification regarding Hungarian efforts to become a non-

permanent member of the UNSC is a “bon mot” by former Minister of Foreign Affairs, László Kovács, i.e. “[We should] dare to be small!” These few words perfectly capture Hungary’s absolutely mistaken foreign policies of the past 60 years. They perfectly resonate with the notion according to which Hungarians should realize and accept them being an insignificant nation, that is why more ambitious Hungarian foreign policy objectives are completely nonsense; thus, the ever current government of Hungary should focus instead on keeping food prices low (especially in urban areas), and on subsidizing the price of gasoline in the summer when most people go on holiday e.g. to the Lake Balaton. This line of thinking is both the embodiment of eastern European provincialism as well as the traditional ideas of the Hungarian Left, which totally lack the understanding of the role of foreign policy.

In fact, Hungary is not a great nation, nor a major economic power. This fact, however, is not an insurmountable obstacle, nor shall it preclude Hungary’s participation on the European political stage, and, to some extent, not even on the world stage. Let us just think about Sweden, a nation nine million strong, which has been dominating the Scandinavian region for centuries; what is more, its political stance is still of importance all over Europe. Or one could also mention The Netherlands (a 16 million nation), which still possesses considerable influence not only in Europe, but also in South-East-Asia. Many other nations of similar size could also be mentioned such as Israel, Singapore or New Zealand to name but a few.

Thus it is not destined that Hungary cannot have a say in international affairs. Obviously, the present state of the country’s economy puts a definite limit on the strength of its say, however, one should not forget that the size of the national economy is only one factor that determines the effectiveness of a country’s foreign policy. That is why we think that the Fidesz government took a very important and otherwise necessary measure by revitalizing Hungary’s foreign policy, which were mainly passive and explanatory during the past decade.

Non-permanent membership in the United Nations Security Council could be a tremendous opportunity for Hungary because it could appear on the world stage. With the help of the membership, Hungary’s say – provided that its foreign policy makers were savvy enough – might even become influential in certain matters. On the other hand, membership in the UNSC would require a lot of work, given that Hungary’s (foreign) policy makers should take decisions almost on a daily basis on matters including the situation in the Middle East, global climate change or the problem of starving nations in Africa.

And that is the point where several concerns arise: Hungary’s ruling government does not even know in case of its domestic affairs what exactly it wants to do two weeks from now. Since it has radically different positions on almost any issue every other moment, and given that every step taken by the Orbán government suggests that the era of carefully analyzed and well-thought-out decisions in Hungarian politics is now over, it hardly could contribute to world affairs in a manner that would benefit the country.

There is another aspect to this issue as well. Another weakness of the same order of the political course pursued by Hungary’s Fidesz-led government is that every significant matter is decided by one man only, or only by a few people at best. In a corporate setting it is called micro-management (by prime minister Viktor Orbán, who is the CEO of the country). “Micro-management” means that the PM does not delegate any tasks to other people, because he wants to decide in every affair. Just think about the fact that one and a half years after the last elections numerous public institutions and organizations still cannot operate appropriately because “the Chief” has not had the time yet to make the necessary appointments. Then what kind of concept could the Fidesz government have regarding Hungary’s non-permanent membership in the UNSC, where it should take a stance on crucially important global affairs almost on a daily basis? Many are afraid that, even in the best case, the current government of Hungary would only be drifting.

Exactly that is the reason why *Véleményvezér* (literally: “Opinion Leader”, a major Hungarian opinion-forming weblog concerned with domestic as well as international politics) is of the opinion that Hungary’s UNSC membership is more of a concern, since the spotlight associated with the

world stage would shed light not on our strengths and foreign policy capabilities, but it would make our weaknesses clearly visible in a short order. The reason for this is that the current government of Hungary is seemingly unable to make decisions on the basis of thorough analyses, and then stand firmly by those decisions – and also because most decisions depend upon the will and wishes of only one person –, this setting will hardly produce the desired outcome, i.e. a significant increase in Hungary's international influence. And although there are only a few other things that we would wish more strongly than improved international reputation of our country, this time it might be better for our nation if – amid cut-throat competition for the status of non-permanent member in the UNSC, and with a relatively large number of votes in the country's favour – Hungary would eventually not be voted for this position.

http://velemenyevezet.blog.hu/2011/09/26/fidesz_magyarorszag_a_vilagpolitikaban_jo_otlet?utm_source=ketrec&utm_medium=link&utm_content=2011_09_26&utm_campaign=index

Viktor Orbán's phobia: Ferenc Gyurcsány

As the day of Ferenc Gyurcsány's questioning by prosecutors approaches we might find it enlightening to look back at the long history of Fidesz efforts to get this far. Because, although most of us no longer remember, the idea of putting the former prime minister in jail was hatched as early as late October or early November of 2006. It was then that Fidesz came up with the idea of a referendum that could put an end to the contemplated reforms. Originally seven questions were posed, out of which three were approved. The road to the actual referendum was long and arduous. It was only in early August 2008 that Hungarians overwhelmingly said no to hospital fees, tuition fees, and co-payments.

What we are apt to forget is that among Fidesz's original seven questions was one that was designed to allow legal proceedings against the prime minister. The original proposition read: "The imposition of 'objective legal responsibility' for the Prime Minister and other members of the cabinet for exceeding the national budget." This particular question was not allowed to be put on the ballot. Zsolt Németh at the time explained to U.S. Ambassador April H. Foley that this seventh question of the referendum had been designed to "hold Gyurcsány accountable for his campaign promises" and their impact on the deficit. May I remind the readers that at present a parliamentary subcommittee is working on the question of responsibility for the sovereign debt between 2002 and 2008. The dates are telling. Gyurcsány resigned as prime minister in March 2009.

The Americans came to the conclusion that Fidesz's opposition to the Gyurcsány government was "emotionally deep but often substantively shallow." They noted that Fidesz politicians were flexible when it came to strategy but they had only one goal in mind: "Gyurcsány's removal."

By early November 2006 the Americans had a pretty clear picture of what Viktor Orbán was all about. It was becoming more and more obvious that Orbán's aim was the destruction of the legitimate Hungarian government with the help of the street. He was quite ready to hold a rally on September 23 when only a couple of days before there had been serious clashes between extremists and the police. Even his closest advisors thought that holding a rally under the circumstances was too risky. In the last minute, his friends were able to convince him not to go ahead.

The local elections brought a landslide Fidesz victory in almost all communities with the exception of Budapest and a couple of other cities. In the wake of that victory Orbán tried a variation on his earlier tactics. He claimed that the local elections reflected the will of the people and demanded that the prime minister step down by October 6 at noon. If he doesn't, "100,000 people will come to parliament" and will stay on the streets until the prime minister resigns or the coalition removes him.

The Americans agreed with Gyurcsány that "this is fundamentally about the minority's refusal to accept the majority's right to govern." It seemed to the staff of the embassy that Fidesz "set few limits on its tactics whatever the potential consequences."

After Ferenc Gyurcsány received a vote of confidence from both his party and SZDSZ Orbán was furious. He refused to take part in the debate, and after the vote he addressed a crowd in front of the

parliament building. He asked the crowd to come every day between 5 and 6 p.m. to protest until Gyurcsány resigns.

A couple of days later Orbán talked to the diplomatic community. He had a new plan. He claimed that there is no time for a new election and therefore asked the government parties "to change plans or change leaders." He would even be willing to cooperate with "another socialist prime minister."

A few days later Orbán again talked to G-7 diplomats. He repeated his belief that under the pressure of the streets and as a result of the austerity measures the government introduced Gyurcsány "cannot survive." He also charged the Gyurcsány government with "criminal negligence." The emphasis is on "criminal." He claimed that the economic situation is worse than the government claims and therefore "MSZP will blink first in the present showdown by withdrawing their support from Gyurcsány." He told the ambassadors that Fidesz was working with trade unions to discuss a national strike committee to coordinate strikes in the coming weeks. He predicted that Gyurcsány would be out of office by the spring of 2007.

The ambassadors had a few hard questions of their own. Orbán was asked, for example, why he didn't put forth a reform agenda of his own. He responded that there could be no "business as usual." Such a step would only "give the government our good ideas." Such tactics might work elsewhere, but in Hungary "politics is all about winning elections." This sentence pretty well sums up Viktor Orbán's attitude toward politics. And if that weren't enough, he added another devastating revelation about his own attitude. When he was asked if he himself might not be blamed for promoting instability, he responded: "that is a risk I'm prepared to take." In brief, he didn't care what the consequences of his machinations were. The American reaction was: "Orbán continues to play his zero-sum game with malicious glee."

The Americans came to the conclusion that Fidesz "believes that the opposition's role is simply to oppose rather than offer constructive alternatives." Orbán doesn't care about the consequences of his actions and has decided "to ignore the very real risk of derailing the progress Hungary has made and the very serious consequences of damaging the reform Hungary must continue."

Here I have described just a couple of months of Viktor Orbán's continuous attacks on the Gyurcsány government which former MDF Prime Minister Péter Boross described as "more in keeping with medieval siege warfare than modern politics." All that against the backdrop of a program of reforms and the necessary introduction of an austerity program.

As it turned out, Gyurcsány's "thoughtful but resolute" demeanor was irrelevant. It didn't matter that he was "very much in command of the facts and of the situation." The diplomats were impressed with him "as a leader who has considered the political, economic, and moral aspects of the issues."

But in the long run he lost to a man who didn't consider any of these issues and who thought, and I guess still thinks, that politics is all about winning elections. Or losing them.

<http://esbalogh.typepad.com/hungarianspectrum/>