

News

The minister was too honest

Not only foreign criticism, but also frequently contradicting or too honest interior statements can cause awkward situations for the government upon the media law. Tamás Fellegi, the minister for national development recently had to find an explanation for using the expression “we fucked it up” when talking about the new media law. He admitted that he still stood by the need for the law and was only referring to its communication.

Appeal of intellectuals

Last Friday, several Hungarian and foreign former anti-communist dissidents expressed their dismay at the concentration of power implemented by Orban's government, appealing to the EU to take action. "Just 20 years after communism collapsed, Hungary's government, though elected democratically, is misusing its legislative majority to methodically dismantle democracy's checks and balances, to remove constitutional constraints, and to subordinate to the will of the ruling party all branches of power, independent institutions, and the media," they said in an open letter addressed to the leading EU institutions, and the bloc's governments and political parties. The letter was issued by, among others, former Hungarian president Arpad Goncz, former Czech president Vaclav Havel and Polish newspaper editor Adam Michnik.

Black sheep of the EU

The EU presidency offers an opportunity for Hungary to prove that it had adapted itself to the EU, yet, several of the government's recent measures raised doubts and triggered investigations to find out whether these measures are in line with EU principles, said Laszlo Kovacs. The Socialists are willing to help the cabinet "rescue what can be rescued" of Hungary's reputation but Prime Minister Viktor Orban must put an end to "prideful and flippant statements" and "the demolition of democracy and the rule of law," Kovacs said. Kovacs said much of the international criticism that Hungary had recently drawn resulted from the new media law and it would be crucial to have the legislation withdrawn in order to restore the country's reputation. Kovacs denied the government's claims about similarities between Hungary's new media law and relevant regulations in other EU countries. He said it is indeed not without an example that the government appoints the heads of the media authority but it is unusual that they are all members of the governing parties. The government must realize that its two-thirds majority in Hungarian parliament does not result in added authority in the EU.

Hungary may hit brick wall in EU with "crisis taxes"

The special tax Hungary levied on the telecom sector clearly violates European Union regulations therefore it looks doomed to be thrown out by Brussels but the EU review of the special surcharges could also lead to problems with the levy on the retail sector if found that it discriminates against foreign companies, local news portal Index.hu reported on Thursday, citing two sources knowledgeable in EU investigative processes and tax issues. If the EU vetoes the "crisis taxes" the state will be obliged to repay tens of billions of forints from state coffers.

Hungary sends EU English translation of media act - with sections missing...

Hungary has sent the English translation of its highly-criticized new media act to Brussels in a bid to clear up what Prime Minister Viktor Orbán called "misunderstandings" about it, but a local news portal discovered that a number of sections have not been translated.

The Justice Ministry has on last Tuesday sent the English translation of the country's new media law to the European Commission, as well as foreign embassies in Budapest and Hungarian embassies abroad. Origo.hu reported that the 194-page translation (including comments) is not complete as several crucial sections are missing, such as the one that lists the regulations that have changed due to new act. An amendment to a law approved in 2007 on digital switchover has not been translated, while it extends the previous deadline from 31 December 2011, saying the process may drag out until the end of 2014. The English translation also omits sections on temporary regulations, including the one that stipulates that the new media authority may launch proceedings against offenders only for violations of the new act committed after 1 July 2011, i.e. when Hungary's EU presidency expires. Origo.hu inquired at the state secretary responsible for government communication why these parts have not been translated, but it has received no answer yet. The media watchdog, however, issued a statement after the website published its report, saying the translation covers only the most essential part of the law and the sections on temporary measures was skipped because these are not necessary to understand the law. It said the translation of the missing parts is underway and each will be sent out once complete. A Hungarian diplomat confirmed to Dow Jones that sections were left out because they are the technical and temporary portions of the law. "We decided to translate first the main part of the law," they said, given that the request for more clarity on the law came the day before Christmas Eve on 23 Dec. "This was left out because of the heavy work load during the Christmas period, but this is on the way as soon as the translators are finished." Nevertheless, the diplomat added, that European Commission will likely work from an interpretation from in-house translators. "This was a symbolic gesture that it was translated so quickly," said the diplomat.

Hungary Among Top 10 Riskiest Debtor Nations

Greece is the riskiest sovereign debtor in the world, ranking above Venezuela. However, the list of the world's top ten riskiest debtor nations also includes four other EU member states, and Hungary for the first time – stated a report published last weekend by CMA Data Vision, one of the largest London-based credit analysts. In their 2010 year-end report, Greece (grappling with serious budgetary and debt woes) displaced long-time number one Venezuela as the world's riskiest sovereign debtor topping the list of ten countries seen as most likely to default on their debt. The sovereign debt risk list contains five EU member states including Greece; Hungary and Spain joined the ranks of the riskiest sovereign debtors for the first time.

"That is the market's judgment" – commented on the news economist György Zdeborszky noting that there are already five EU member states on the list. Interestingly though, Romania and Bulgaria are not included. Mr. Zdeborszky said everything that could happen actually did, so that Hungary crept into the public eye. On the political side, Hungary holds the EU's rotating presidency in the first half of this year; while on the economic side it attracts attention that the Hungarian economy is on an unsustainable path. Also there is a market sentiment that meeting the budget deficit targets will not be sustainable on the long run. The market also considers the National Bank of Hungary's two recent rate hikes to be unjustified; what's more, the government and the NBH are seemingly following two different trajectories. According to the expert, all of the above-mentioned factors contributed to the steep increase in the country's CDS spread. As a consequence, investors who intend to sell Hungarian government bonds on the secondary market have to face declining bond prices while those seeking insurance on their assets will find less favorable conditions. Another problem is that additional crisis management measures promised by the government to be taken in February have no signs yet – claimed Mr. Zdeborszky.

Friend of Hungarian PM, film producer Andy Vajna sells casino stake to Hungarian state lottery company

SzRt-Service Kft., a subsidiary of Szerencsejáték Zrt. has acquired a minority stake in Belvárosi Kaszinó Kft. from Las Vegas Casino s.a.r.l., an interest of Vajna, for HUF 245 million (EUR 885,000). The transaction has made Szerencsejáték Zrt. the (indirect) sole owner of Belvárosi Kaszinó which operates the Tropicana casino in Budapest. The deal was realized on 1 January. Népszabadság reported in December 2010 that Vajna would sell his stake, but the paper estimated the worth of the package at HUF 750 m then. Szerencsejáték has previously held a 74.5% stake in Belvárosi Kaszinó, in which its subsidiary, SzRt-Service Kft. had a 1% package. The state-owned gambling company decided late last year to become the sole owner (indirectly) in Belvárosi Kaszinó, which pays HUF 1.5 bn gaming tax into state coffers annually. Belvárosi Kaszinó posted revenues of HUF 2.217 billion in 2009, about HUF 600 m less than in 2008. The eroding revenues dented its profits as well and the company closed 2009 with a loss of HUF 176 m. Revenues of Las Vegas Casino s.a.r.l. also dropped sharply to HUF 3.2 bn from HUF 4 bn in a single year.

Comments

“We have every reason to be worried about the future of this country”

János Kornai: Taking Stock

Summary of the English translation of the article "Számvetés" written by János Kornai, published in the January 6 issue of Népszabadság.

János Kornai covered eight areas that may suffice to identify the most important changes.

1. Democracy

In the period between 1989-1990 and until the summer of 2010 Hungary was a democracy. It is not one any longer - its political formation today is autocracy.

2. Free press

In democracies the press is often referred to as the fourth branch of power in addition to the legislative, the executive and the judiciary. The new media regulations, i.e. the re-organization of the media authority and the media law produce a level of centralization in the world of public media and political communication comparable only to the propaganda machinery of communist dictatorships.

3. The state of law

Fidesz has gained power in a legal and valid way. But the description must continue: if a law in force is in its way, the government changes it. The practice in the coming years will tell how far judicial independence continues or is eradicated and becomes an empty formality. Cases may be hushed up when they are embarrassing for the government, or handled with bias when the suspects are the opponents of those in power.

4. Capitalism

The capitalist system prevails in Hungary. I am convinced it will continue to do so throughout the Orbán government. Fidesz is obviously not a Marxist-Leninist party. It does not have a policy of eradicating capitalism. The Orbán regime is linked to it by multiple strands and enjoys the support of some big-business oligarchs and many small-business entrepreneurs. The anti-capitalist slogans of its public rhetoric do damage to the economy, but much more is done by their actions. The

economic policy of the past eight months has decreased the efficiency of capitalism in Hungary. Even the most aggressive government, over a longer period, is unable to impose its will on the economy in every aspect. And the more unscrupulous a government is in trying to do so, the more stubborn the backlash will become, and the more damage will be done to the development of the economy.

5. Private Property

What has recently happened to private pensions funds seriously compromises the trust in the government's respect for private property. The whole procedure raises sad memories for older generations with experience in history. Those who dreamed up and implemented the present-day pension reform cannot be accused of wanting to eradicate capitalism. What they have done, however, seriously damages the principles of capitalism and is not far short of straightforward confiscation.

6. Growth and Development

Analysts would be in an easier position if they could see clearly what the government is really planning to do. No coherent economic policy is decipherable from the announcements of leading politicians or the 2011 state budget either. Practical regulations are not introduced after any thorough professional debate, or a careful consideration of short and long-term effects, or a comparison of alternative solutions. Without a coherent plan to be analyzed in a consistent and intellectually rigorous way, I am confined to raise a few questions left vague and to refute a few misleading statements. We keep hearing a single declaration: taxes will be lowered, which will give an impetus for growth. We do not know exactly how much GDP growth one million forints in tax reduction will produce, or when it will do so. The unacceptably severe tax burden on the banking sector, introduced to spare individual taxpayers, will not hit "rich bankers" but will slow down the active flow of the economy.

7. Distribution

Fidesz, in its election campaign, promised to avoid restrictive austerity measures. But this is only a play with words cleverly exploiting the vagueness in the concept of "restriction." Let's put it simply: the earlier decisions and announced plans of the government actually will cause concrete losses of real present and future consumption to some of the people, decrease the value of their wealth and savings and increase their debt. The redistribution is continual, causing continual rearrangement of the groups of winners and losers and change the size and composition of their gains and losses. Losers include those with low or medium incomes, those with foreign currency loans, include households affected by the gas price increase, producers, small and medium-sized companies included, which do not export their products etc.

8. Trust

Kornai's last topic is about "trust." So far, no dramatic shift can be seen in the distribution of voters' political trust. My task here is not one of political prediction. It is of great significance (though it has to be separated from voters' political trust) how much the business community trusts the state. Honestly, this type of trust may be independent of whether the governing form of the state in question is a democracy or an extreme dictatorship, or some intermediate level of autocracy. Capital welcomes an iron-handed regime like Singapore's or communist China's. In the short run Hungary cannot exist without auctioning its state bonds regularly. The downgrading of its reliability as a debtor causes immediate losses on the scale of hundreds of billions of forints as the government is forced to pay higher yields if it wants to sell its bonds, whether to Hungarian or international investors. In the long run, the weakening trust of the business community will slow down growth as well.

Summary

It is easy to sum up what has been happening in the political sphere. Several important basic institutions of democracy have been destroyed. Hungary has become an autocracy. The Hungarian political regime is threatening to resemble Putin's. The direction of changes is clear: they are profound enough to be irreversible (or more optimistically, almost irreversible) and guarantee (or more optimistically, almost guarantee) the long-lasting rule of the group that has gained power.

What has been going on in the economy is less easy to describe briefly because it is full of contradictory actions, regulations impossible to implement, and tendencies impossible to follow.

We have every reason to be worried about the future of this country.

Source: http://nol.hu/gazdasag/janos_kornai_taking_stock

Apology

In my opinion we should ask for forgiveness, and I do it right now. I ask your pardon because of the two-third majority, which is unscrupulously abused. We haven't done everything possible to avoid creating this indefinite power although, as some examples have shown, more could be done.

We should apologize for allowing a single-sided amendment of the constitution in favour of the regime, the elimination of constitutional guarantees, the disgracing of national institutions, the adoption of retroactive laws, the perish of the pension system and the muting of the free press have become possible in Hungary. We should apologize because people who have turned the image of Hungary into a repulsive one in the eye of the democratic world have unlimited power.

Schiffer János, Népszabadság, January 10 2011.

Together we will succeed

Us journalists, bloggers and patriots can do one thing: we continuously prove that yes, we can tell Mr. Orbán or any of his colleagues to bugger off, and that doing so does not get punished. We will do this to prove to the OSCE, FBI or even the CIA that when they arrive here they will find bubbling and flourishing public political opinion that can prove the incorrectness of any charges. It will let them see that the government is being criticized on a daily basis, yet the government is still alive and well from it. Then they can write their reports back to home and to the news agencies that in Hungary the freedom of speech is guaranteed and insulting the royalty is not persecuted. This is how we can work together for our nation: let's bring home the naming of government officials as bacteria, stinky or even dictators where it is right. The same is being said by the French opposition about their own president, by the German opposition about their own chancellor, and some Brits don't even spare Her Majesty The Queen! When the world will to see that bad things are written about these characters every day, and they simply don't bother – that means that they are not bad at all. Where these things are persecuted and punished, there one will know those guys are the ones who are really bad. This is such a simple indicator.

The Hungarian government fucked this up big time, but the Hungarian nation may still be able to help to straighten it out. In order to achieve this true collaboration is required now: a government that can tolerate criticism and citizens who are constantly criticizing the authority. All these things together mean a free country. This is the highest and strongest possible form of national collaboration that may exist in a democracy. To dream about more would be utter nonsense.

Tóta W. Árpád, index.hu, January 7 2011.

Orbán's bare fist and the feedback from abroad

It is indeed a relevant question whether whatever is going on in Hungary really surprised the foreign analysts and the EU's leading powers. According to an ambassador's report leaked by Wikileaks and published in Der Spiegel, Orbán was described as a talented political fighter with go-for-the-jugular

political instincts, who had been preparing consciously for the defeat of his opponent. We can add to that a certain level of anger building up during the eight years spent in opposition. The structure created in his party and its personal consequences have been heralding long the concentration of his power in spite of losing two elections. His leadership role has not weakened but rather strengthened. The government's reactions are incoherent. Sometimes they ask discretion and promise to be more flexible, sometimes they are huffily offensive. February is designated for cutting expenditures, but March is meant to be the month when the new constitution should be created. Meanwhile the mechanisms expected by the leaders start to work better and better on the lower level of governance, but they are badly timed, awkward and sometimes ridiculous, and tend to raise cross-border troubles. It would be more rewarding to be more watchful and warier. However, the general staff is just not trained for that.

Ervin Tamás, Népszabadság, 6 January 2011

After the media law

Only a few days after the parliament passed the media law, the government was astonished to discover that the principle of 'whose realm, his religion' is not valid: the ideas of nation-state sovereignty are not working anymore. *Neminis regio, neminis religio* – that is the case, be it ever so hard to understand for all those, who think that the maintenance of cultural identity is impossible without having direct political control.

It will be a question of the upcoming weeks and months to establish whether the press freedom, threatened by the media law, is capable of survival. If the effects of the restrictions are limited to the electronic and elite media based in Budapest, causing international outcry, at the same time gagging the press in the rest of the country, then it will have deeply damaging long-term consequences. If the presence of the rule of law is not perceptible for smaller towns and villages, then our journey into the past seems to be materializing.

That is because the media law is nothing short of the exact reconstruction of the cultural-political state-of-affairs of Kádár's regime. Twenty years may have passed but the recent past can easily be made into a valid experience once again. Our EU membership will have been in vain because, just like in old times, we will live in a country fraught with lies, threats and deceptions. The Kádár-regime used to exist within the frames of a European culture dominated by the Cold War. Its achievements and function can only be understood in that particular context. If Hungary wishes to eliminate its freedom in the complex cultural system of free and independent states, regions, micro-communities and global networks, we can prepare ourselves for the worst: we will be ignored. It's either or: Either we live in the contemporary present or we shall be a country destined to oblivion, a nation that is ridiculous, full of anger and speaks an incomprehensible language, and whose members have got only themselves to blame for their undoing. The time of indifference is over. The time of courage has come.

Péter György, Élet és Irodalom, January 7 2011.

This is what they say

East and west have 'divergent' EU interests

This was supposed to be the year that the once-communist countries of central Europe showed they were equal to their brethren in the west by presiding over the European Union in back-to-back presidencies for the first time in the bloc's history.

If the past month is any indication, it could be a rough year.

The six-month presidency of Hungary, only a week old, is already engulfed in controversy. Governments in western Europe have accused Viktor Orban, prime minister, of violating fundamental EU principles by enacting a sweeping media law that they said gave him improper powers over the press.

The moves have raised hackles in capitals all over central and eastern Europe. Mr Orban has warned

darkly against any move by the EU to treat Hungary differently from “other countries [that] have had democracies for 200 years”. Poland has vowed to fight any cuts to EU development funds for new member states. And Romania’s foreign minister threatened to block the entry of Croatia to the EU if the Schengen approval is not granted – though President Traian Basescu later distanced himself from that particular threat.

Yet the tensions were on full display on Friday in Budapest where Mr Orbán and José Manuel Barroso, European Commission president, failed to hide their differences over the media law at a press conference intended to launch Hungary’s presidency.

Mr Barroso vowed a dispassionate legal examination of the media law. But he also warned Mr Orbán that there were other issues which needed to be taken into account, a hint he may want the Hungarian prime minister to move faster.

“There are also the political perceptions and the need for Hungary to have the full backing of the member states and the European institutions to make this presidency a success,” Mr Barroso said.

The comments appeared to upset Mr Orbán, who warned that he would not be pushed by political pressures to change the law.

“We think Hungarian democracy should receive the same respect in Europe like the democracy of any other democratic country in Europe,” he said. “No campaigns, no pressure . . . If there is no common sense and reasonable argument, no changes.”

Peter Spiegel and Josh Chaffin, Financial Times, January 7 2011.

Hungary's other deficit

Little did Mr Orbán know that he would be so roundly jeered when he stepped on to the stage. Forget his European aims, such as reform of the euro, enhanced energy security and a Europe-wide programme for the integration of Romanians; the spotlight now shines on Mr Orbán’s domestic skulduggery. On December 21st his Fidesz party passed the second part of contentious legislation placing broadcast, print and online media under the supervision of a new authority with power to impose large fines for ill-defined offences such as breaching “human dignity”. All the authority’s members were nominated by Fidesz, which enjoys a two-thirds parliamentary majority.

Were the furore just about the media laws, Mr Orbán might get away with his claim that the provisions are drawn from the laws of other democracies. But his action looks worryingly like the latest in a campaign to weaken independent institutions and centralise power. Pal Schmitt, a Fidesz loyalist, has been appointed Hungary’s president. In pursuit of a “patriotic” economic policy, the government has rejected the IMF’s prescriptions, raided private pensions, acted to replace the fiscal council overseeing the budget, sought to unseat the governor of the central bank and restricted the powers of the constitutional court. One-off “crisis” taxes have alarmed foreign investors and prompted an inquiry by the EU. Propaganda displayed in public buildings grandly claims that only now has Hungary regained its self-determination, even though the country has been free for two decades.

Economist print edition, January 6 2011.

What the Hungarian minister said

I will not identify the minister unless he chooses to put up his hand. However I should clarify two points. Firstly, the reference to Tokaji wine was intended to give a sense of the flow of time and of argument over an extended conversation, not to imply that the minister’s tongue was loosened by the flowing alcohol. My interlocutor was sober; which makes his admission all the more brave and interesting.

The second point is: what precisely was the minister referring to when he acknowledged that the government had “fucked it up”? He has called me to explain that he was only talking about the government’s presentation of its case: the timing of the law (on the eve of Hungary’s EU presidency) and the failure to appreciate quite what a row it would provoke in the rest of Europe. He still stands

by the need for the legislation and its substance. I accept his clarification.

I would add a couple of observations. Given the furore, one does not need a high-level source to understand that the Hungarian government has screwed up its media legislation both in timing and in substance, in my view. The two are connected. Perhaps a less sweeping law that did not try to take in television, radio, print and online outlets would have avoided suspicion that the government was seeking to control all media. And legislation focused on a narrower issues, say, the structure and management of the state broadcaster, might have been enacted sooner, avoiding the clash with the EU presidency.

The minister should not worry too much about his frankness. Other Hungarian ministers and officials have said similar things in private. And the prime minister himself publicly acknowledged tactical mistakes had been made when he admitted his “bad start” to the presidency and expressed his readiness to change the law in light of the European Commission's legal opinion. It would be laughable if the government were trying to claim that it had handled the affair brilliantly.

Economist, Charlemagne's notebook, January 8 2011.