Reflections on External Views about Russia and the Hungarian-Russian Relations

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Of Hungary’s foreign policy partners Russia triggers the largest number of internal debates. Our bilateral relations still continue to carry the load of historical memory. The political changes and the radical alteration of Hungary’s geo-strategic status, her membership in NATO and the EU form a mutually recognised political divide in Hungarian-Russian relations, but the (real or assumed) counter-glow of the not so distant past mars purely rational argumentation when broader relationships of economic ties, particularly the role of Russia in supplying energy to Hungary are evaluated. In a certain sense, the views entertained about present-day Russia still play a role in shaping identity and self-reflection in internal policy, which is still laden (more or less covertly) with the actual policy considerations and the emotional factors of the way we relate to the legacy of Hungarian-Soviet/Russian connections and to the history of Hungary in the second half of the 20th century. Moreover, the relationship between Hungary and Russia cannot be interpreted merely in a bilateral framework. Its nature, depth and intensity set directions for a wide spectrum of our foreign relations to which outside views held internationally about Hungary respond sensitively. It is hardly surprising in the light of all of the above that the relations with Russia keep recurring as a subject matter for intensifying political debate in Hungary (as well) and as such is a question (apart from the matter of Hungarians outside Hungary) where no foreign policy consensus is in sight yet.

Debates have traditionally surrounded the role of Russia in international relations and her role is hard to categorize. As a part of European civilisation with sharp features, Russia has moved along a path which differs widely from that followed by the Western world as regards state organisation, the relationship between state and society and social and political patterns of behaviour, all of which is a consequence of Russia’s unique (sui generis) development. However, interaction between the two worlds cannot at all be neglected: Russia’s “high culture” has won the admiration and recognition of the West whilst a significant portion of the Russian elite had been deeply attracted by western ways and the autocratic initiatives striving to force modernisation on the
country frequently aspired (at least in a technical sense) to western examples. Russia has always shaped external effects “to her image, after her likeness” before integrating them, which at the same time prevented Russia from permanently exporting her own model of development. Despite the different directions of historical development, the common roots in European civilisation lend the dichotomy of ‘proximity’ and ‘dissimilarity’ to the relationship between the West and Russia; the requirement to meet ‘western standards’ has always been formulated more forcefully towards Russia than towards other global participants in international affairs that have different civilisation roots, such as China.

Although Russia is an outstanding factor in international relations, simply by virtue of geographic dimensions, her external role and the outside views held of Russia have always reflected the specific character and internal controversies of Russian development. Despite its qualities in diplomacy, Russian foreign policy has traditionally been relying mostly on power play with limited reliance on soft power. The historical controversy of Russia’s international role lies in the very fact that the resources of power play in foreign relations have proven sufficient for setting up more or less permanent zones of influence of periodically varying scope in her own geographic neighbourhood despite the failure of her attempts at lasting wider dominance due to capacity constraints and the nature of the models she offered.

The third traditional controversy influencing outside views of Russia follows from the above: extreme pendulum-like swings of security and politics related dilemmas associated with the country. If conceived as “too strong” Russia immediately represents an international security risk (owing to her assumed expansive aspirations), and exactly the same happens if she is conceived to be “too weak” as that foreshadows (through Russia’s mere size) the formation of a political vacuum burdened with the threat of a broad circle of instability.

The controversies listed above are reflected by low ebbs and high tides of expectations towards Russia during the past period of little less than two decades. The essentially peaceful disintegration of the former Soviet Union was one of the most important global political development and security consequence of the first half of the nineties. Despite the severe political, economic and moral conflicts marking the process of internal transition in post-Soviet states, the course of disintegration defied the pessimistic prophecies threatening with acute social conflicts potentially culminating in armed clashes, waves of emigration, violent territorial changes and the illegal proliferation of nuclear capacities. The Yeltsin era also taught us another lesson: eventually Russia could not and never intended to integrate harmonically into a developing international order which offered her the status of junior partner. Moscow was gradually overwhelmed by the opinion that with Russia ‘losing’ the Cold War, western powers will opt for the ‘Versailles’ solution (which took revenge on the losers of World War I) rather than following the ‘Vienna’ model of equilibrium (developed at the Vienna Congress to grant a role to vanquished France in the Europe after the Napoleonic wars). The Russian elite and the majority of
Russian society interpreted the disintegration of the Soviet Union and the degradation of Russia’s international clout as a defeat, which (coupled with international economic and social tensions) set the scene for the consolidation orchestrated by Putin, which realigned Russian foreign policy both in terms of content and methodology through the heavily recentralising power structure and style of internal stabilisation.

Only two interrelated questions of the several dilemmas identified during the international discussion of the basis, means, methods and consequences of the consolidation driven by Putin are mentioned here. The use of fuels in support of strategic considerations in Russian foreign policy is subject to lively discussions. The circumstance that the hydrocarbons sector, which is a major source of Russian exports and governmental revenues, happens to underpin internal consolidation and the mounting self-confidence of Russian foreign policy offers simultaneous proof of the strength of Russia’s boom (which depends on price conditions in the market of oil and natural gas) and structural weakness. The strategic importance of hydrocarbons is not a new discovery: a reminder of the international boycott to supply oil initiated by Arab oil producing countries after the 1973 Arab-Israeli war will suffice here. The hydrocarbons sector, including in particular the export of gas and the infrastructure of pipelines, assumes a visible position in Russia’s arsenal of foreign policy power tools under the aegis of the “geopolitics of energy”. I do not want to get involved in the rather pointless discussion about whether or not oil and natural gas could be ‘normal’ commodities, but it is difficult to see what kind of tools Moscow could mobilise for the sake of internal stabilisation and asserting interests abroad without Russian hydrocarbon resources and the superimposed ‘semi-governmental’ sector. An obvious answer suggests increasing military exports (as the output of the single internationally competitive branch of Russian industry) and aligning foreign policy accordingly, which would by no means be beneficial for international security. The dilemmas concerning the structural weakness of Russia’s economy have been intensifying due to the financial crisis and falling hydrocarbon prices as the drying up of the funds fuelling the consolidation devised by Putin and Medvedev might lead to unforeseen medium-term consequences in both the internal condition of the country and Russia’s attitude to foreign policy.

Outside views of Russia have shown extreme swings in the past ten months. The terminal points of these swings were set on the one hand by the major cold spell in the relations between western states and Moscow in the wake of the armed conflict between Russia and Georgia and the spectacular “restart” initiated when the Obama administration took office symbolically pressed the reset button amid signs of approval also from the European Union. The shifts in the international infrastructure of efforts aimed at overcoming the global financial and economic crisis and the G20 coming to the fore were steps towards integrating Russia as a partner, rather than in the direction of instigating a ‘miniature cold war’, which was a real threat in August last year. To demonstrate contemporary changes in sentiment, which shows countless controversial features, let us refer to a study...
about strategy published jointly by the Nixon Center and the Belfer Center (the latter is the research institute of the John F. Kennedy School of Government operated under the auspices of Harvard University) with the title *The Right Direction for U.S. Policy toward Russia* in March 2009. The study calls for a constructive revaluation of American-Russian relations and for cooperation in merit between the two countries in exactly the same issues Washington attaches priority to (the fight against terrorism, Iran, Afghanistan, Middle East, European security, the non-proliferation of strategic nuclear weapon systems, etc.) as neglecting the opinion and interests of Russia runs markedly against the assertion of US interests in these areas. Attributed to a team of authors with affiliations to both parties, the study recognises the weight of Russian history and ‘traditions’, the development of Russian society at its “own speed” and urges stakeholders to comprehend and exercise empathy in evaluating Russian foreign policy aspirations and the interests behind them, whilst pressing for democracy and the protection of human rights.

*The framework of reference of Hungary’s international policy is by no means homogeneous in the way it evaluates Russia. That makes it quite obvious why the attempts at setting and ‘fine tuning’ the directions for Hungarian-Russian relations may not simply and mechanically replicate the relations forged between the main players of international policy.

The United States scrutinizes Russian relations through geopolitical spectacles first of all: the ideological or pragmatic preferences of consecutive Washington administrations approach the shaping of relations with Russia in terms of global interrelationships. The likelihood of a pragmatic approach gaining supremacy in the upcoming period may be paradoxically strengthened by the added importance attached from the US perspective (regardless of the many controversies) to the relations with China (‘G-2’) (which has become ever so clear since the outbreak of the international financial crisis), and Russia, although doubtlessly an extremely important participant in international policy, is not given primary attention any more.

China’s rise may realign the interest driven relations between geopolitical players in the not so distant future and the changing global environment will influence the tone and the priorities of US-Russian relations.

The approach of the European Union has many layers. The geopolitical backdrop does not dominate EU-Russian relations as much and the questions relating to practical co-operation (trade, capital investments and energy) are more emphatic due to geographic proximity. An approach shared by several key member states of the EU and NATO that also take into account the aspects of the relationship with Russia is often at play in areas such as the future course of NATO enlargement or the degree of ambition of the EU’s eastern neighbourhood policy, which have traditionally touched Russian “nerves”. At present the EU does not yet use “direct speech” with Russia, which suits Russian interests and
preferences. Being more concrete and more important, bilateral relations outweigh EU level relations for most of the Member States, and this is shaded further by the weight of economic relations and the size of Russia’s share in the supply of energy.

Memories from the past have a bearing on emotions and on actual policy considerations in the geographic region of Hungary or more exactly in the majority of Central and Eastern European states belonging to the same category as Hungary. This reaction is frequently amplified by what is perceived as the confrontational style of Russian foreign policy. That is especially the case in Poland and in the Baltic states, but one should not ignore the distancing approach that emanates from the emphasis on human rights in Czech foreign policy or the mutual distrust which continues to effect the relations between Russia and Romania due to Moldova. The smaller the geographic distance from Russia, the weaker global interrelationships become (despite their clarity at the geopolitical level); the controversies between internal relations in Russia and the country’s aspirations for external dominance are displayed more directly, whilst relations tend to be shaped by the frequently controversial mixture of clearly visible practical interests and emotions rooted in the past.

When motivated by the need to be coherent, the foreign policy of a country will add up to something more and of higher complexity than a mosaic-like sum of the policy of bilateral relations. The policy of individual relations must follow a common line set by foreign policy (geopolitical orientation, values, alliances, priority ranking of partners and economic preferences) even if a single partner is as important as Russia.

Determining the directions and focal points of our relationship with Russia is not simply a question of bilateral relations; it is also a key contributor to our position in international life. Hungary is a member of the transatlantic community and the definitive reference framework of our foreign policy is set by our membership in NATO and the EU. This affiliation marks the baselines compared to which Hungary’s selective partnership relations with Russia can and should be developed. Yet that does not mean that Hungary’s foreign policy towards Russia consists of nothing else but constant accommodation to the content and tone of the Russian relations of Hungary’s NATO and EU partners, as (see above) the views entertained about Russia and the intensity of relations with Moscow will take major turns depending on the period and indeed on each country. Continuous accommodation to multiple views would be equivalent to inconsistently slaloming in foreign policy with each turn determined by what are, or what are conceived as, the sum of external expectations at a particular moment in time. The interests of Hungary should obviously be seen as the pivotal point on which of our relations policy hinges. It is against these interests that we need to find a position for Hungary that reflects our readiness to cooperate with Russia in the reference framework set by our alliance with the transatlantic community. Hungarian foreign policy will not run a serious chance in Moscow unless it is conceived to be embedded solidly in NATO and the EU, which will allow us to avoid even
Reflections on External Views about Russia and the Hungarian-Russian Relations

a superficial impression that Hungary is an outpost of Russian interests in the CEE region and in Euro-Atlantic organisations. No doubt, it would be false to say that the foreign policy of the former Soviet Union and that of present-day Russia are equal, which requires a sober evaluation of Russian aspirations relating to Europe and our immediate region. We are doing our best to understand and evaluate realistically the interests, goals, strategic and tactical considerations that motivate the policy Russia conducts towards Central and Eastern Europe, including Hungary. Hungary’s own weight in Russian foreign policy is limited. The asymmetrical nature of Hungarian-Russian relations is manifested in both the disparity of dimensions between the two parties and the different spatial and thematic spectrum of displaying interests. Russian diplomacy looks to the ‘category of global powers’ to find partners to negotiate about relevant issues of global policy, strategy and security. Russia also adopts this criterion of selection in the face of the EU by accepting the “large Member States” as equal partner and by showing a preference for bilateral channels in her relations. Viewed from Moscow, Budapest tends to be important in a regional and European context. Hungary’s relative value and comparative regional advantage lie in the opportunity to build a position of broader geographic scope without prejudices and anti-Russian sentiment, in an investment and corporate presence in the single European market and, first and foremost, in gradually expanding Russia’s share in European energy supply, storage and distribution systems. This economic expansion also gives way to strategic intentions due to the overlap between business and political components.

The scale of Hungarian foreign policy is obviously different. The ‘policy of involvement’ is an important aspect of arguing in favour of our Russian relations as far as we can, given our possibilities and capacity. That amounts to recognising that Russia is an inevitable partner for Hungary and both NATO and the EU will have to reckon with that in a broad spectrum. However, Hungary’s specific interests in expanding bilateral relations are mostly economic by nature and are linked to strengthening our presence in the Russian market and to Hungary’s energy supply. As the domains of business and energy lie at the intersection of Russian aspirations regarding Hungary and Hungarian aspirations regarding Russia, these two aspects are worth looking at separately.

The promising opportunities of an Eastern market feature high among the motifs driving Hungary in the intensive search for relations with Russia, including high level political contacts. It is an unquestionable fact that the Hungarian-Russian economic relations have gathered momentum in recent years as the turnover of USD fourteen billion propelled Russia to became Hungary’s second most important trading partner after Germany, the unquestionable leader. Both parties invested one and a half billion dollars in the other country. This situation is twisted obviously by the fact that Hungary has generated the second largest trade deficit with Russia (with China topping the list), although its volume is declining (as opposed to that with China). Hungary
managed to reach a ratio of 1:2.2 in 2007 and 1:2.7 last year in counterbalancing imports of mainly (92%) fuel from Russia, which (considering the changing international prices of hydrocarbons) also indicates the potential limitations of export dynamism. In 2008, four percent (USD four billion) of Hungary’s exports were sold in Russia, which demonstrates that Hungary’s national economy and a wide circle of businesses need the eastern market. Russia is an important target of diversification in foreign trade for Hungary. The opportunities of the Russian market must, however, be evaluated realistically. Russia’s total imports (reaching USD three hundred and two billion) surpasses that of Poland by only one third and is sixty percent of that of Italy. The order of magnitude of Hungarian exports to Russia is in the same ballpark with our exports to Slovakia and Romania, despite its unquestionable dynamism, the only difference being that Hungary has accumulated substantial trading surpluses with the latter two relations. Hungarian businesses indicate that the international economic and financial crisis, which has not spared Russia either, has put a cap on further market expansions. The general atmosphere of relations between the two countries and the quality of political ties influence the course of economic cooperation, which is not subject to direct political preconditions in the majority of cases, but Russian market participants keep sensing indirect signals from the political domain, not to mention the way Hungarian aspirations towards market expansion in the regions were greeted. Russia is a very important market for the Hungarian economy, but our dependence on exports to Russia is not of strategic size and it may not influence the orientation of our foreign policy in itself; nor can we afford to let it fall prey to a partial business interest at stake with Russia.

Energy is the most sensitive aspect of the relationship between Hungary and Russia. The dominant positions occupied by Russia in the resource side of the domestic supply of hydrocarbons, the Hungarian reverberations of the international debate about competing gas transmission lines and the Russian appetite for acquisitions distil the diverging opinions about the security of energy supply in Hungary, often laden with domestic and foreign policy issues, that have become a marked feature of the international views held about of country in addition to influencing the tone of bilateral relations. Instead of repeating known data, facts and polemic opinions, let us focus on the basic situation. Hungary’s unilateral dependence on Russian resources of natural gas, oil and nuclear heating elements exists simultaneously. This is also valid if we take a broader regional outlook: former communist countries have been unable to reduce essentially their dependence on Russian fuel in the two decades following the change of the political system. Russian energy represents a much larger share of their energy balance than with the EU 15. Whilst the existence of the Trans-Adriatic Pipeline and the nature of the international market of oil carry a realistic chance for Hungary to diversify her procurement, the rigidity of the natural gas sector due to the underlying long-term agreements and pipeline systems is a severe energy security risk. The conse-
Reflections on External Views about Russia and the Hungarian-Russian Relations

quences of clashes between Russia and Ukraine about gas recurring periodically every winter are a sign of the same. There are two additional aspects of the problem of gas supply based on dominantly Russian sources and an instable Ukrainian transit route: the pipeline alternatives, South Stream and Nabucco, representing two ways and methods of diversification and the expansion of Russian ownership (MOL-Surgutneftegas) unfolding in the domestic energy sector.

The strategic horizon of the rivalry between the South Stream and the Nabucco projects is way beyond the scope of influence of Hungarian foreign policy, although it influences (but not to a great degree) the ratios among the resources used for supplying gas to Hungary. Each project is rational and meets existing demands on its own. South Stream, which is based on a partnership between Gazprom and ENI, Italy, (with gas storage facilities envisaged also in Hungary) offers an alternative to the increasingly distrusted transit across Ukraine for both Russia and European consumers. Nabucco would go around Russia to connect Caspian and Central Asian resources to the European market. Despite its limited potential market share, this is also a diversification option both in terms of resources and routes. On the one hand, the size of Russia’s share in the European market of gas and the elimination of Ukraine as a transit country and, on the other hand, the creation of a transit route for Caspian and Central Asian gas resources towards Europe and bypassing Russia as a mediator are elements of a strategic game that encompasses both business and geopolitical components. In this context, Hungary is not an insignificant transit country, but is one that can eventually be replaced as Hungary alone can neither settle the South Stream vs. Nabucco debate of ‘either-or’ or ‘both’, nor disperse the profitability, feasibility, energy security and strategic dilemmas surrounding the rival pipelines. Hungarian foreign policy has demonstrated pleasing docility by moving away from observations such as ‘Nabucco is a dream’, which triggered rather controversial reactions, to arrive at the Nabucco conference in Budapest in January 2009; Hungary is acting rationally in her own interest by taking on a partnership role in both projects. The acquisition by Surgutneftegas of a 21.2 percent package of MOL shares, formerly owned by OMV, should be interpreted in the framework of Russian aspirations to acquire stakes in the energy sectors of Central and Eastern European economies, especially in the countries lining the planned route of South Stream. The transaction itself, its circumstances, the lack of transparency surrounding the Russian investor and the cloud cover of its future intentions fortify the elements of distrust in Hungarian-Russian relations.

Both ‘gas pipeline diplomacy’ and managing Russian aspirations of expansion targeted at the energy sectors of countries in the region are questions of heavier weight that need to be addressed by a broader forum than energy policy at national level: the European Union. What is seen as lack of symmetry and unilateral dependence in the relation between Hungary and Russia take the form of mutual dependence between the European Union and
Russia, as the latter is by far not the sole supplier of the EU (although its share is on the rise), but a sizeable portion of Russia’s foreign trading income is generated by selling hydrocarbons to Europe. Creating the common energy policy of the EU and the common representation of its foreign policy dimension (including the EU-Russia energy dialogue), creating the single market of energy and facilitating the regional and Union level interconnection of pipeline systems are high on the Hungarian agenda, as these moves can create a common platform that prevents Russia from abusing the dependence of Europe on Russia for energy to reach political objectives. We will only be able to seize the opportunities, including the development of existing relations with global energy suppliers and face the challenges created by trends evolving in the medium and longer term (such as the maturing of new technologies needed to exploit profitably hard-to-access natural gas and oil resources, increasing the market share of LNG and growing demand South and East Asia for Russian and Central Asian gas resources) at the level and within the framework of the EU.

This is also valid in a broader thematic context. It is obvious that we will not be able to bridge the asymmetry of existing Hungarian-Russian relations in a pure bilateral framework (simply because of the difference in dimensions, for instance). Hungary has to act through a broader system of allies and partners to be able to base her relationship with Russia on truly equal footing and to lend it strategic significance. That approach would provide a backdrop to bilateral relations in a strict sense. This background has three superimposed layers: rounds of coordination between Central and Eastern European countries, creating a common voice in EU politics and the robustness of transatlantic cooperation. This threefold framework does not preclude shades and differences in tone, which may be put to work to ensure a less subjectively biased, rational Hungarian approach (in regional comparison), but the framework will clearly identify the boundaries beyond which Hungarian foreign policy may not ‘venture’ to go.

It is in Hungary’s interest to promote a line and approach whereby Russia is accepted as a partner despite all the differences of opinion and is involved in the deepest possible sense into the network of international cooperation efforts. However, taking Russian ‘specificities’ into account may not be equivalent to accepting the pretensions of a Russian foreign policy that frequently regards its ‘post-imperial’ status too tight, aspires to creating strongholds in Central and Eastern Europe and makes claims to influence her ‘immediate neighbourhood’. It is practical to interpret the zone between the enlarged EU/NATO and Russia (the target area of EU Eastern Partnership based on neighbourhood policy and the target area for NATO partnership relations and potential enlargement) as an area of cooperation with stabilising force, rather than as a zone of contention for influence and to expect Russian politics to do the same. In this context, strengthening Ukraine as an independent, democratic, politically and economically consolidated state that selects its own orientation is a question of geopolitical importance, which besides
being an extremely important component of the development or relations between the transatlantic community and Russia also influences heavily the boundary parameters of the ties between Hungary and Russia.

AWARE OF ITS CAPACITY AND THE LIMITATIONS OF ITS INFLUENCE, Hungarian diplomacy has some room to manoeuvre in Russian relations outside the domain of bilateral ties per se. Hungary can play the pragmatic but value driven role expected of the eastern policy of a member of the EU and NATO, if we keep the determining Euro-Atlantic framework and regional aspects of our foreign policy in focus, if we participate actively in building EU-Russia relations and in the Eastern Partnership of the EU and if we restrict ourselves to shaping bilateral relations inside the boundaries of strategic relevance set by Hungarian foreign policy.