DEMOCRATIC BACKSLIDING AND ECONOMIC PERFORMANCE

‘Building Unity and Support for Democratic and Free Market Values in Central and Eastern Europe’

COUNTRY REPORT ON HUNGARY
ACKNOWLEDGEMENTS

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Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of January 2017. Nevertheless, Transparency International Hungary cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

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EXECUTIVE SUMMARY

To explore Hungary’s recent development, its opportunities and limitations the report outlines the political and economic changes regarding democracy, the business sector and xenophobia in the country. By 2017 the state of democracy and the economy suggests that the country has made a U-turn deviating from the concept of good governance. The autonomy of the democratic institutions have been reduced so that the pivotal bodies became the instruments rather than the control of the government’s power. The political and economic measures expanding state power, the drastic political interference in the media sector and an intense anti-NGO campaign by the government, Hungary has been steered in the direction of a managed democracy and state capitalism. On the one hand, there is a growing concern in Hungarian society regarding the disconnection and isolation of the decision-makers, the monopolization and centralisation of decision-making resulting in loss of contact with citizens’ interests and diminishing accountability. On the other hand, democracy, fundamental freedoms and rights are still of high importance to the Hungarian people, who also show strong support for European Union membership.

Since 2010 new structures and priorities have emerged, transforming the Hungarian business sector. While the short-term outlook for 2017 is deemed to be rather positive, the mid- and long term economic unsustainability is highly risky for the continuous relapse of competitiveness. There are numerous examples (for example regarding strategic agreements with companies or the tailor-made public procurement procedures), that the government have openly discriminated among businesses upon their political loyalty building an economic system in which rent-seeking, and its subtype, corruption distorts the market economy. The combination of state capture and such crony capitalism has led to the deterioration of institutional performance. In the business sector representatives’ opinion, the regulatory environment in Hungary is unpredictable, while investors face a huge administrative burden.

In Hungary the measured level of xenophobia is at an all-time high after the government’s anti-refugee quota campaign of 2016, while, along with other Central and Eastern European EU member states, the negative attitude towards immigration is growing. Lacking knowledge and understanding of ‘others’, a lack of empathy toward poverty and deprivation is a concern as well as the general affinity for demagogy, i.e. the making use of popular prejudices and promises to gain and retain power.
The business sector can play a crucial role in promoting the situation in Hungary in each aspect of democracy and free market values. It may be able to transform the NGO sector by providing substantial support (financial and know-how) for the organizations to advance independence from the state. NGOs and business companies can also take progressive steps together, promoting good governance, striving for more plurality of opinions, decreasing the over politicization of public life, a culture of public discussion and open debate. Strong and consequential demand for foreseeable policies, transparent decision-making, and the simplification of tax regulations in addition to open and impartial systems channelling interests into decision-making could advance democratic participation as well as the prospects of the economy in the long run.
1. INTRODUCTION

The goal of this report is to compile and analyse research findings that outline the level of activity and engagement within the business community, civil society and public sector in Hungary under the auspices of the project ‘Building Unity and Support for Democratic and Free Market Values in Central and Eastern Europe’ supported by the Center for International Private Enterprise (hereinafter: CIPE). The research describes past and current political and economic changes to outline the connection between democratic activism and support for market principles. The paper presents a brief analysis on ‘illiberal’ trends and their impact on the state of democracy, the private sector and xenophobia in Hungary as well as their economic drivers, costs and consequences for the average citizen. The research consists of four methodological pillars; desk research including case studies, roundtable discussions, in-depth interviews, and focus group meetings. In order to complement the desk research and to broaden the scope of the analysis, TI Hungary held two roundtable meetings, three focus group meetings and conducted three in-depth interviews. Participation in each meeting was anonymous, the dissemination of personal information or any other details that could reveal the respondents’ identities was not permitted. Detailed notes were taken at every event, and during the focus groups and the interviews sound recording was also used with the approval of the participants.

Roundtable Discussion

On the 3rd of November, 2016 TI Hungary held a roundtable discussion to debate the premise and goals of the analysis, and to gain an overview of the participants’ opinion about the main topics of the research. We invited fifteen representatives of the Hungarian private sector, civil society, as well as experts and political analysts, of whom twelve (altogether four female and eight male participants) took part in the event. Participants were selected based on CIPE’s prior recommendations regarding their expertise. TI Hungary prepared a list of questions (See Appendix 1) in advance to focus on the connections between business, the economy and democracy. Since the topics of authoritarianism, xenophobia and populism were only briefly touched during the debate, TI Hungary decided to conduct further in-depth interviews as a supplement to the original methodology to focus specifically on the above-mentioned topics.
In-depth Interviews

In November and December 2016 TI Hungary conducted three in-depth, semi-structured interviews about authoritarianism, xenophobia and populism in Hungary. The participants were three high-level representatives of the Hungarian private sector, who also took part in the roundtable discussion. In each case, the questionnaire (See Appendix 2) was flexibly adjusted to the course of the actual interview. The identities of the experts are not revealed in the analysis.

Focus Groups

As part of the research process, TI Hungary organised three focus group meetings with young people between the ages of 22-35 during November and December 2016. The call for participation was disseminated among TI Hungary’s network of university students being also sent to several colleges, universities in Budapest as well as of other cities in Hungary. The focus group meetings were conducted in a structured format, based on a list of previously prepared questions approved by CIPE about topics including democracy, populism, corruption, accountability, civil engagement, entrepreneurship, xenophobia and authoritarianism (See Appendix 3). Altogether, in the three meetings, eighteen people participated, seven male and eleven female. The requirements for application were currently enrolled or graduated higher education students and an age limit of 35. Out of the 18 participants 10 were born in Budapest, the others were originally from other cities and villages of Hungary. 14 participants studied or study currently at universities in Budapest, the other 4 studied abroad, or in other towns in Hungary. The sampling of the focus groups was intentionally neutral in the sense that the political attitudes of the respondents have not been pre-checked and considered before inviting them to the research. The focus group participants’ identities are not revealed in the study either.
2. THE STATE OF DEMOCRACY IN HUNGARY

2.1. Hungary’s ‘Illiberal’ U-turn

During the relatively smooth political transition after 1989 the Hungarian citizens reacted to the collapse of communism with high hopes, and expected a Western-style welfare state in a short period of time (Ágh 2013). However, after undergoing a drastic transformation in the early 1990s and, once becoming a member of the EU, Hungary fell into a post-accession economic crisis, way long before the global financial crisis erupted in 2008 (Martin 2013). Hungary’s economic performance was one of the poorest in the EU in the early years after the accession. As the country’s budget deficit reached a record high in 2006 with 10% of the GDP, the indebtedness (i.e. the debt-to-GDP ratio) sharply rose compared to the national income, and the growth rate was the lowest in the EU in 2007.

Being a member of the European Union (hereinafter: EU) since 2004, Hungary has a democratic system with institutions that were originally established to respect the separation of powers as well as legal checks and balances. A consensus among political parties and in the public discourse existed between 1989 and 2010 that according to the 18th century’s Montesquieu’ doctrine, legislative, executive and judicial powers need to be separated and the government needs to be controlled by independent institutions. The government of the parties Fidesz and Christian Democrats (KDNP)¹, based on an overwhelming majority, i.e. more than two-thirds of the mandates in 2010 and successive victory with simple majority in 2014, has broken this consensus and re-engineered the public arena. State position holders with power initially designed to control the power of the government’s executive branch, such as, inter alia, the Constitutional Court, the Supreme Court and the judicial administration, the prosecution service, the Court of Auditors, the Media Board, the Economic Completion Office, the National Bank of Hungary, and the National Election Committee were selected by the governing party’s parliamentary majority, i.e. their faction in the Parliament, or were nominated by the prime minister and appointed by the president of Hungary, a former prominent member of the Fidesz party leadership. Aside from the rather weak and highly fragmented opposition parties, the two Fidesz-KDNP governments have reduced the autonomy of many of these institutions resulting in pivotal bodies becoming the instruments rather than the control of the government’s power (Martin-Ligeti 2017).²

¹ Fidesz is a right-wing party that belongs to the EU-wide European People’s Party. It has been using nationalist rhetoric, sometimes with an adamant anti-EU tone since 2010 without though questioning the EU-membership of Hungary (Ilonszki-Lengyel 2014; Martin 2014).
By 2017 the state of democracy and the economy in Hungary suggests that the country has made a unique U-turn in the region (Kornai 2015) and deviated from the Western concept of democracy and good governance as the consequence of going through a series of crises. The government’s determination to follow the path of ‘illiberal democracy’ has in some cases run contrary to European legal standards. This has happened in the case of the President of the Supreme Court (now called the Curia), and the former Data Protection and Freedom of Information Parliamentary Ombudsman. The term of office of both of these authorities’ leaders has been terminated prematurely and the dismissed former leaders have been replaced with the government’s own appointees. In its respective decision issued in May 2014 the European Court of Human Rights held that the premature termination of the Supreme Court President’s mandate had violated the right of access to a tribunal. As regards the issue of abolishing the institution of the Data Protection Commissioner and the premature termination of the previous commissioner’s mandate, this case was brought before the Court of Justice of the European Union, which concluded that Hungary was in violation of EU law.

Under the arrangements of the newly adopted Fundamental Law of Hungary, known as the constitution, has become increasingly political and the locus of constitutional power has shifted from the Constitutional Court to the government and the Parliament (Varju and Chronowsky 2015). Some provisions of the Fundamental Law were also in contradiction with the European legal norms. As of 1 January 2012, when Hungary’s new constitution entered into force, the mandatory retirement age of judges was lowered to the general retirement age, i.e. from 70 to 62 years. The Court of Justice of the European Union delivered a judgment concluding that Hungary has failed to fulfil its obligations deriving from the acquis communautaire. The government’s strategy to influence the operation of independent institutions entailed an instrumental approach towards legal norms, including the Constitution. Between the establishment of the Fidesz government in 2010 and the entry into force of the Fundamental Law, Hungary’s prior Constitution was amended twelve times. The Fundamental Law, although supposed to be ‘long lasting’, has been amended six times since coming into force. These constitutional changes have lacked extensive ex ante public debate. The Council of Europe’s Venice Commission concluded in its opinion that frequent constitutional amendments ‘are a worrying sign of an instrumental attitude towards the constitution’.

Through these measures Hungary has been steered in the direction of a centrally managed democracy and state capitalism. Many international actors and reviewers have pointed out

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3 This term for Hungary was used firstly by Prime Minister, Viktor Orbán in 2014, in one of his speeches when he stated that ‘the new state that we are building is an illiberal state, a non-liberal state’. The full text of this speech, see: http://budapestbeacon.com/public-policy/full-text-of-viktor-orsbans-speech-at-baile-tusnad-tusnadfurdo-of-26-july-2014/10592.

4 See case Baka v. Hungary. Application no. 20261/12, judgment (merits)

5 Hungary breached the requirements as enshrined in Directive 95/46/EC See: Commission v. Hungary, Case C288/12.


declining trends in terms of democracy and rule of law in Hungary. According to Freedom House’s 2016 Freedom in the World Index in Hungary, democracy is in recess ‘due to laws, policies, and practices that sharply curtailed the ability of refugees to seek asylum in the country, the ongoing deterioration of the media environment, and the effects of large-scale government corruption on commercial activity and competition’. The German Bertelsmann Foundation’s country report on Hungary (within the framework of the 2016 Transformation Index) emphasized that the country ‘constitutes an extreme example of the broader democratic backsliding observable in several East-Central European countries since their accession to the European Union in 2004 and since the global financial crisis in 2008. The crisis has been detrimental for popular trust in the new democratic institutions and has challenged the prevalent model of economic development through transnational integration’. In the 2016 Rule of Law Index by the World Justice Project, Hungary has gained the worst position among 24 high income EU, EFTA and North American states in regard to restraints on government powers, open government, fundamental rights and civil justice.

The media sector has also been a subject to significant transformations since 2010. Freedom House’s Freedom of the Press Index has shown a downturn in press freedom in Hungary, indicating the country’s media in 2016 was ‘partly free’ arguing that ‘laws passed in 2010 increased state regulation of the media’, in addition, new avenues for political interference have been created through the expansion of pro-government oligarchs in the media industry. The Reporters Without Borders ranks Hungary 67th on its 2016 World Press Freedom Index which is a steep decline compared to 23rd position reached in 2010. The increasing dominance of media companies with close ties to the government has resulted in both overt and indirect politicization of several media outlets (e.g. TV2 – commercial broadcaster available in the whole country, Pannon Lapok Társasága – chain of regional newspapers). In addition to the inherent risk of using public money for non-accountable purposes within these media companies, the government has unduly obtained influence regarding the information broadcasted even in the course of entertainment programs. The latter tendency was evidently shown in relation to the 2016 referendum campaign on EU refugee quotas. According to Democracy Reporting International ‘Hungary’s state-owned TV network M1 showed a strong pro-government bias in primetime news programming during the campaign, despite a legal duty to show balanced coverage’ as ‘95% of airtime allotted to refugees and the referendum endorsed the government’s position, and 91% of related news items were negative about refugees’. In 2016 a media group encompassing some of Hungary’s largest newspapers

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13 https://rsf.org/en/hungary
14 Mérték Media Monitor (2016) What is the problem with the media laws? Available at: http://mertek.eu/en
15 Similarly, TV2 controlled by businessman and ally of the Prime Minister Andrew Vajna encouraged in 42% of its news items to vote against the quotas in a straightforward manner, while only 21% of the reports presented several potential viewpoints. Democracy Reporting International (2016) Hungary’s state-owned TV shows bias in EU-refugee referendum. Available at: http://democracy-reporting.org/?p=2450
has been sold to a businessmen with close personal relations to prime minister Viktor Orbán and no media background until the transaction. Népszabadság, the group’s most well-recognised left-leaning title with a critical voice towards the government, was abruptly closed.\textsuperscript{16} In recent years half a dozen national and at least the same number of local newspapers and media outlets were sold or transferred to pro-government oligarchs and transformed into a mouthpiece of the government. This process accelerated in 2016. It is worth noting that according to a public opinion poll 87\% of Hungarians, regardless of their political standing, consider freedom of the media essential, while almost two-third of them deem it to be highly limited.\textsuperscript{17}

Upon the data of the Central Statistics Office altogether around 62,000 NGOs operate in Hungary.\textsuperscript{18} While the freedom of peaceful assembly and association is recognized by the Fundamental Law and several other related regulations, the Orbán government started an intensive campaign against the most critical organisations standing up for human rights as well as for more accountability and transparency in public life claiming that they spend foreign funds by Norway Grant in illegal ways. In 2014 the Hungarian police raided the offices of two NGOs, Ókotárs Foundation and DemNet Hungary seizing documents and data, and demanded the screening of the operation related to the Norway Grant contracts of several others including Transparency International Hungary by the Government Control Office upon dubious claims. Later, neither the investigation by the Public Prosecutor’s Office, nor the National Tax Authority found any evidence regarding the alleged unlawful behaviour.\textsuperscript{19} The government reopened its attempt to create a hostile social environment for NGOs critical of the government’s human rights and anti-corruption performance at the beginning of 2017 when Szilárd Németh, a senior FIDESZ MP, vice-president of this governing party declared that human rights groups supported by the Open Society Foundation (founded by George Soros) were to be ‘swept out of the country’ for being agents of (non-specified) foreign powers with political agendas.\textsuperscript{20} While no actual steps have been taken yet, the government plans to introduce obligatory declarations of assets for the leaders of the NGOs concerned.\textsuperscript{21} According to the regulations in force, in addition to facing strict organizational reporting obligations, the executives of the NGOs are to be called upon declaring their assets if the budget support their organization receives from the state exceeds HUF 50 million.\textsuperscript{22} Nevertheless, none of the politically targeted NGOs receive such an amount of budget support from the government.

\textsuperscript{16} Financial Times (2016) Hungarian media group sold after controversial newspaper closure. Available at: https://www.ft.com/content/ab59ce55-e7d9-34b2-833d-fdb5a0e81436

\textsuperscript{17} Publicus Institute (2016) Kétharmad szerint a sajtószabadság erősen korlátozott. Available at: http://www.publicus.hu/blog/ketharmad_szerint_a_sajtoszabadsag_erosen_korlatozott/

\textsuperscript{18} https://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_qpg004.html

\textsuperscript{19} mno.hu (2015) Törvényesen működtek a civilek. Available at: http://mno.hu/magyar nemzet_belfoldi_hirei/torvenyesen-mukodtek-a-civilek-1293023

\textsuperscript{20} Financial Times (2017) Orban takes aim at Soros and Hungarian NGOs. Available at: https://www.ft.com/content/20d291f8-d87b-11e6-944b-e7eb37a6aa8e

\textsuperscript{21} index.hu (2017) Már meg is van, milyen lesz a civil vezetők vagyonnyilatkozata. Available at: http://index.hu/belfold/2017/01/11/mar_meg_is_van_milyen_lesez_a_civil_vezetek_vagyonnyilatkozata/

\textsuperscript{22} § 53/A. (1) and (2) of Act CLXXV of 2011 on the Right of Association, Non-profit Status, and the Operation and Funding of Civil Society Organisations
At the beginning of 2016 a series of demonstrations were held against the centralized and over-bureaucratized Hungarian public education system and against low wages of teachers. The demonstrators demanded the restoration of the school drop-out age to 18 (the Fidesz government lowered it to 16) and changing the ‘teacher career model’ which is considered to be a badly thought-out structure. The most recent Programme for International Student Assessment (PISA) results have been released by the Organisation for Economic Co-operation and Development (OECD). The results have shown a dramatic decline in the scores of Hungarian teenagers, while the achievement of children from a socio-economically disadvantaged background was poor as well. Hungarian students scored much worse in the sciences and reading comprehension/literacy tests than they did in 2012, while maths scores have not changed. Hungary is below the average of OECD countries in all three categories. The gap between schools where students come from wealthier families and those where there is a higher number of children with lower socio-economic status is among the widest of OECD countries. The current Hungarian government spends only 3.1% of the GDP on public education, less than almost any other developed country.

In the midst of the political and economic turmoil Hungarians appear to remain vivid supporters of country’s European Union membership. According to a representative survey done in the summer of 2016, 70% of Hungarians agreed that the first decade of the EU membership was advantageous for the country, while two-third of the respondents claimed that they would vote to enter the European Union if another popular vote was held about the question again. Both results indicated a significant increase in support (with 13% and 7%) compared to a similar survey done the year before. In the autumn of 2016 when asked to choose a ‘great power’ Hungary should adjust toward, the European Union was chosen by 53% compared to 11% for the U.S. and Russia respectively. Slightly weaker but still major support was also measured by the GLOBSEC Policy Institute in the summer of 2016 according to which 54% of Hungarians thought that EU membership was beneficial, 32% held the ‘neither-nor’ position and only 8% opposed the country’s EU membership.

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23 According to the OECD, teachers in Hungary in 2012 were paid less than employees with a similar level of education. Gross annual salaries for Hungarian primary school teachers started at EUR 8,598, and at EUR 9,126 for secondary school teachers. Teachers’ salaries have been frozen since the 2008 economic crisis and ‘13th month’ bonuses were struck in 2009. In July 2013, the government declared that 150,000 teachers were to receive an average 34% wage rise from the autumn of the same year with a consecutive rise again by an average of 10%, with further rises taking place each year until 2017. At the same time the government developed a so-called ‘career model’ for teachers that included an increase in the number of weekly classes to be taught by each teacher, the elimination of overtime payments, as well as a quality assurance system to monitor and maintain teaching standards. See Government plans to shake up education system (2013) EurWORK. Available at: https://www.eurofound.europa.eu/observatories/eurwork/articles/government-plans-to-shake-up-education-system


26 The survey was done between 1 and 6 July 2016 by the Publicus Institute with the participation of 1000 respondents. The sample was representative. The Publicus Institute (2016) Háromnégyed az EU mellett. Available at: http://www.publicus.hu/blog/haromnegyed_az_eu_mellett/


Empirical research about the attitudes of Hungarians towards the EU suggests a complex picture (e.g. Lengyel-Göncz 2010; Martin 2013, 2014a). A dominant proportion of the population, approximately two-third of citizens, have been supporting EU membership and integration since 2004, leaving only marginal room for ‘hard’ Euroscepticism29 (Lengyel-Göncz 2009). At first sight it might be surprising that this high support has not changed since 2010, while the official rhetoric of the government turned out to be harshly Eurosceptic. Nevertheless, deeper analyses show that the popularity of the EU in Central and Eastern Europe for the past decade has been significantly correlating with the perception of economic performance (Martin 2013, 2014a) and, more recently, with the migration crisis. These analyses also suggest that the declaration of the political elites in Central Eastern Europe do not play a significant role in the explanation of Euroscepticism. This might be considered as an ‘EU-political paradox’. According to the Eurobarometer survey results30, in Hungary the EU was less popular under the pro-EU, left-liberal Gyurcsány government than under the current Orbán administration, while the harsh anti-EU rhetoric of the Orbán government has hardly influenced the Hungarian society either31.

2.2. Expert Views: Restricted Access to Democracy

The conversations with the experts (representatives of the Hungarian private sector, civil society, and political analysts participating in the roundtable discussion) have highlighted two main characteristics regarding the state of democracy in Hungary that very much intertwine and reinforce each other. First, there is a general concern regarding the disconnection and isolation of the decision-makers and the monopolization and centralisation of decision-making causing several severe problems. On one hand, isolation results in losing contact with citizens, their interests and needs. As one expert put it, ‘The MPs do not even realize that they are elected to serve us.’ On the other hand, the government seems to have lost touch with its own administration as well. In practice, government messages are often distorted and implemented in a way that makes them lucrative for a very distinct group of people.

An expert identified two distinct levels of decision-making. While on the ‘technical’ level, which upon the expert’s experiences consists of department managers and state secretaries, policy problems and suggestions are mostly well understood decisions with real consequences are made on the political level. In practice, there is a deep chasm between the two levels, since influence, in fact, depends on knowing the right person (i.e. politician) to turn to. Nevertheless, the latter level lacks the necessary professionalism and expertise for policy-making. As a result, for all its inherent contradictions the state has become highly

29 Hard Euroscepticism is when the population opposes the EU membership and/or the symbolic aspects of the EU as opposed to soft Euroscepticism when the aversions are pragmatic (Lengel-Göncz 2009).

30 To assess the popularity of the EU we can use this proxy question that has been provided by Eurobarometer survey since 2000: “In general, does the European Union conjure up for you a very positive, fairly positive, neutral, fairly negative or very negative image?”

31 Similar tendencies can be recognized regarding Poland, i.e. under the current and previous Kaczyński-governments the support of the EU has remained high.
dysfunctional as many of those who are in power represent different, often clashing interests, while government officials who should carry out the policies, are torn among the separate agendas. According to another expert, policies often fail because of the lack of feedback from middle-ranking executives and front-line officers in compromised positions.

Second, the decision-makers’ isolation diminishes accountability as only those can influence the government who ‘stand close enough’; ordinary people have no impact in fact. On the institutional level the business sector experts have lost their faith in the public prosecution service for the body has had problems with taking a clear stance in high level corruption cases with political connotations for the last 25 years. On the social level, according to the experts there is no willingness or faith in controlling power or making it accountable as there is no faith in controlling one’s own life. The sense of helplessness is rooted in the paternalistic tradition of believing that the state solves everything. As one expert claimed, ‘The sense of control has no culture in our lives. Neither in our private lives, nor regarding situations related to power.’ However, in the experts’ opinion, there is a significant difference among the generations. Despite the chain of measures to cover decisions and public money expenditure, the demand for government transparency is increasing among younger people as they have socialized on the internet where ‘no one can hide’ and grew up aware of the fact that actions can have immediate consequences.

As to the reinforcement of democracy in Hungary, the experts had long-term and very pragmatic visions suggesting that a more conscious private sector might be able to transform the whole NGO sector, which could then get into a position of more influence regarding the relation between citizens and the state. If the NGOs could receive sufficient business knowledge on how to operate in a more sustainable and professional way, then the non-governmental sector, independent of the state, would be able to add real control functions to the operation of the state. The expert emphasized, ‘This is the responsibility of the business sector. This is a question of consciousness, the knowledge and willingness not to depend on the state but everyone else.’

2.3. The Perspectives of the Young People: A Generation Feeling Left Out

The focus group participants also raised the issue of isolation and the lack of accountability as the most pressing needs of democracy in Hungary. It was commonly emphasized that ‘Democracy should not only be about society ticking the box and electing the leaders each four years’. There is an evident demand for more influence to exert more pressure on the government, to have the ability to ask for corrections of decisions and policies. Similarly to the experts many young respondents claimed that despite the open forums for public consultation ensured by law there is no real option to give feedback to MPs. According to the focus group participants, the society’s threshold regarding what counts as acceptable is much higher than ten years ago, thus there is hardly any scandal anymore that would cause

32 See e.g. Transparency International Hungary (2016) A kormány alaptörvény-ellenesen korlátozná a közpénzadatok megismerhetőségét. Available at: https://transparency.hu/hirek/a-kormany-alaptorveny-ellenesen-korlatozna-a-kozpenzadatok-megismerhetoseget/
any of the political parties to lose their supporters. The decision-makers’ illusion of inviolability erodes accountability with an appreciable impact on society. Consequently, there is an imminent risk of people perceiving their country as a hollow democracy that only operates ‘on paper’. However, some respondents saw no imminent danger in this tendency and argued that similar transformations occurred under each government after the political transition of 1989. As one focus group participant argued, ‘the freedom of media has always depended on the economic and political background and interests’ in Hungary.

The research participants also highlighted additional consequences that burden Hungarian public life: general resignation and the feeling of exclusion. According to the respondents, many young people are not interested in public affairs anymore, because they do not think that their opinion counts. The feeling of exclusion causes apathy. As a young respondent said, ‘When I receive the fifth call to participate in a demonstration in a week, I rather think it makes more sense to remain in bed and stare at the ceiling’. After the exhaustion and consequent resignation kicks in, ‘it is much easier to float around’. Despite of the numerous demonstrative measures by the government the feeling of being excluded hardly decreases as the young respondents claimed to have hardly any room to represent their actual interests. According to a focus group participant, young people’s opinion does not matter, since ‘I have no methods to say what I think, and it would have no consequences anyway. I do not think that I am part of all that is happening around me. People are excluded from what they live in. Things are decided without them.’ The government is perceived to be designing and orchestrating themes of public discourse in a professional manner; there is hardly any forum or voice for matters of interest raised from below. Some respondents claimed that they gave up volunteering to help NGOs because they are afraid that, in the midst of the political campaign against the organisations, giving such support would label them politically and jeopardize their professional career.

Notably, the young people seemingly have not lost their faith in democracy. They believe in the democratic institutions but found that the political culture to operate them adequately is missing. They have specifically mentioned the misuse of referendums as an example. While in other countries referendums are seldom used and only in important matters, in Hungary the practice is completely the opposite. According to the participants, such a political culture erodes the democratic institutions that otherwise would operate well.

The research participants expressed their wish to have more plurality of opinions and less politics in public and their private lives as well as to live without fear of consequences for speaking up. As a young respondent underlined, ‘It is not only about the possibility to say what is on one’s mind, but also about what comes afterwards’. Many of them also dismissed the government’s communication strategy claiming dissenting and critical voices (or NGOs) to be agents of the opposition parties, ideologies or foreign powers.
### THE STATE OF DEMOCRACY IN HUNGARY UPON THE FINDINGS OF THE EXPERTS AND THE RESEARCH

<table>
<thead>
<tr>
<th>POSITIVE TENDENCIES (DRIVERS)</th>
<th>NEGATIVE TENDENCIES (COSTS)</th>
</tr>
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<tbody>
<tr>
<td>democracy, freedoms and fundamental rights are of high importance to Hungarian society</td>
<td>downward democratic trends according to international organizations</td>
</tr>
<tr>
<td>strong social support for EU membership</td>
<td>elimination of checks and balances</td>
</tr>
<tr>
<td>demand for transparency and dialogue in public affairs by young people</td>
<td>signs of legal instrumentalism: large-scale, often non-consequential changes in the legal system, unpredictable and unstable legal regulations</td>
</tr>
<tr>
<td></td>
<td>isolation from voters and centralization of decisions of public concern – lack of social control and political accountability</td>
</tr>
<tr>
<td></td>
<td>the domination of political decisions over professional/technical ones in policy-making</td>
</tr>
<tr>
<td></td>
<td>drastic political interference in the media sector</td>
</tr>
<tr>
<td></td>
<td>anti-NGO rhetoric and campaign by the government</td>
</tr>
</tbody>
</table>

### RECOMMENDATIONS TO IMPROVE THE STATE OF DEMOCRACY IN HUNGARY

- support from the private sector for the NGOs (e.g. financial, know-how on professional operation, business models, and compliance matters) to advance more independence from the state
- steps and programs striving for promoting the everyday importance and implications of democracy and fundamental rights, advancing community-building and related values
- implementation of projects introducing a greater plurality of opinions and evidence-based solutions to decrease the over politicization of public life, e.g. through improved educational programs, promotion of independent media, and enhancement of inclusive debate culture
3. BUSINESS ENVIRONMENT

3.1. Markets Built Upon Loyalty

Since 2010 new structures and priorities have emerged, transforming the Hungarian private sector. In a system that could be characterized as ‘crony capitalism’ political decision-makers have openly discriminated among businesses upon their political loyalty. The relationship between the government and business players touched bottom by 2012 (Bartha-Ti-H 2014) after the government introduced measures to reshape the country’s political structure, which had a negative impact on the business environment. Unpredictability as well as the instrumentalization and utilization of public bodies and the legislation for private and political gains have become frequent phenomena. The government’s intention to distinguish between good, ‘productive’ (manufacturing) and bad, ‘speculative’ (service) companies have made it difficult to reopen previously blocked corporate lobbying opportunities.

The government offered to corporations the opportunity to conclude so-called Strategic Partnership Agreements (SPA) in 2012 (Bartha-Ti-H 2014). Besides facilitating dialogue between policy makers and economic actors, the government has apparently succeeded by the introduction of SPAs in separating the economic weight and policy importance of corporate players from their lobbying potential. Thus SPAs proved instrumental for the government in preserving arbitrary distinctions between the ‘productive’ and ‘speculative’ branches of the private sector. On a rhetorical level, this distinction underpinned the government’s ideology of the ‘work-based society’.

Bartha and Ti-H (2014) conducted an empirical study on the SPAs as a special form of lobbying and as a blueprint of the government’s economic policy based on partiality and cronyism. Companies that took the opportunity of concluding a strategic partnership agreement with the government, had the opportunity this way to mitigate the consequences of risks generated by an unpredictable business environment. The firms with whom the government signed SPAs belong to the ‘ingroup’. Although the content of the SPAs is accessible on the internet for the general public they are not legally binding, and therefore can be considered as political and communication tools.

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33 In the Hungarian context this term was introduced by TI Hungary to the public discourse in an interview with József Péter Martin. See: http://index.hu/belfold/2013/10/16/ez_a_haverok_kapitalizmusa/
35 See for example an SPA with Unilever: http://www.kormany.hu/download/2/08/70000/Unilever%20HU.pdf
And, among major corporations absent from the list of SPAs, one finds two other different sets of companies: the ‘inner circle group’, and the ‘outgroup’. The inner circle group of companies are those which win the public procurement bids in significant shares, thus a salient portion of their revenues are generated by public tenders. These companies have more favourable positions than the ‘ingroup’ companies thus they do not need SPAs. The lobbying activity of this inner circle is totally non-transparent and lacks any formal elements of communication with the government. None of the companies assumed to belong to this inner circle have concluded strategic partnership agreements with the government. These companies are close allies of the governing political elite with seemingly unhindered access to favourable government decisions. As opposed to the companies of the inner circle, members of the out-group are the most exposed to unpredictable political risks in their economic activities. These companies mainly operate in the service sector and are deprived of any established (and in a number of cases even informal) ties with the government.

The non-transparent and strategically biased system has produced mixed results. According to the government’s media release wrapping up the year 2016 ‘Hungary’s economic outlook is promising’. The Minister of State for Financial Affairs has listed several factors supporting these positive prospects: ‘the country’s credit rating has been upgraded to investment category by all three major credit rating agencies in 2016. The government debt-to-GDP ratio has continued to decline, and it may fall to 74 percent from the 74.7 percent figure registered one year ago – in compliance with criteria set by the Basic Law and the EU. The composition of Hungary’s government debt has also improved: the share and volume of forex debt held by non-residents have both declined significantly. Accordingly, domestic investors have gained more importance’. Also in 2016 the Government concluded a six-year wage deal, under which the minimum wage and the guaranteed minimum wage are to be raised both in 2017 and 2018, payroll taxes are to be reduced, the corporate income tax rate will be cut to 9 percent and further tax cuts are expected to be implemented if certain real wage conditions are met.

Despite the government’s positive outlook economic analyses have pointed out several warning signs in the long run. According to experts (e.g. Mellár 2014) the economy seems to be on an untenable path. The unsustainable components behind almost every macroeconomic indicator signal a severe tension between the short and long term performance of the Hungarian economy. It is remarkable that the budget deficit – in contrast to the previous leftist governments – has been kept under the 3% ceiling for the last 6 years. But this achievement cannot be detached from the large influx of EU funds amounting to 6% of GDP in 2016, which will run out by 2020. While the central reduction of the public utility fees by the state fuels consumption, such a governmental ‘war on utility fees’ can

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37 The minimum wage is a fixed minimum sum to be paid to any employee (in 2017 HUF 127,500 gross per month). The guaranteed minimum wage is a higher wage category tied to the employee’s level of education (at least secondary school) necessary to carry out the job (in 2017 HUF 161,000 gross per month). Both wages are set by the government in a decree.
HUNGARIAN ECONOMY’S LAGGING COMPETITIVENESS

Hungary’s ranking in the World Economic Forum’s Global Competitiveness Report has been deteriorating rapidly for the last ten years.

The efficiency and transparency of public institutions is outstandingly bad.

The competitiveness of the Hungarian economy is drifting apart from the EU28 and other countries in the region...

...for the politically biased, non-transparent and ineffective operation of public institutions.

Competitiveness scores on a 1-7 scale*

<table>
<thead>
<tr>
<th></th>
<th>EU average</th>
<th>Regional average*</th>
<th>Hungary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>4.75</td>
<td>4.54</td>
<td>4.49</td>
</tr>
<tr>
<td>2011</td>
<td>4.69</td>
<td>4.39</td>
<td>4.36</td>
</tr>
<tr>
<td>2016</td>
<td>4.79</td>
<td>4.50</td>
<td>4.20</td>
</tr>
</tbody>
</table>

Scores of the Institutional pillar on a 1-7 scale*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2011</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU average</td>
<td>4.62</td>
<td>4.56</td>
<td>4.57</td>
</tr>
<tr>
<td>Regional average*</td>
<td>4.22</td>
<td>4.05</td>
<td>4.05</td>
</tr>
<tr>
<td>Hungary</td>
<td>3.99</td>
<td>3.79</td>
<td>3.30</td>
</tr>
</tbody>
</table>

*Higher scores indicate higher competitiveness.

**The Czech Republic, Estonia, Poland, Latvia, Lithuania, Hungary, Slovakia, Slovenia
Source: TI Hungary’s calculation based on the WEF’s data
easily become unsustainable taking the energy infrastructure on the whole into consideration. The low unemployment rate is caused partly by the public work program as well as large-scale emigration and foreign employment of the part of Hungarians.

The tax system on the whole is deemed to be mostly advantageous for the oligarchs and business tycoons who would rather build on their close ties to the government than promote open competition.\textsuperscript{40} The Hungarian industry is particularly sensitive to the level of growth within the automotive industry and the payments from the EU funds. In 2016 the take-off came to a halt in both sectors\textsuperscript{41}, while the International Monetary Fund predicts that Hungary will lag behind regarding the growth of real GDP (2.5\%) in 2017 compared to other Central Eastern European countries.\textsuperscript{42} The structure of the Hungarian business sector is highly fragmented; only 1-2\% of the companies are able to approach the productivity of enterprises in Western Europe,\textsuperscript{43} and the general productivity is still approximately only the half of the Western European average.

In addition to the macroeconomic problems, the considerable regulatory burden on the private sector is also an imminent risk for corruption and graft. The government’s emphasis on solving economic problems or enforcing its own interests through laws is seen as unnecessary and a means only to protect its favoured allies. The result is an overregulated system in which state law covers procedures and markets, which could sufficiently operate without any intervention. Crony capitalism in Hungary provides wide-ranging power for the government over the business sector, limits open competition, and enables undue influence as stated below.\textsuperscript{44}

Migration from Hungary has continually increased since the second half of the 2000s, after the accession to the EU. Long-term stagnation, negative economic drivers, the 2008 economic crisis, accompanied by a dramatic recession of the GDP by 6\% in 2009 have led to no significant increase in income. Between 2004 and 2014 altogether 2.2\% of the Hungarian population moved abroad.\textsuperscript{45} In contrast to other CEE countries like the Czech Republic and Slovenia, since 2010 the migration of working age Hungarians has intensified considerably despite improving economic conditions.\textsuperscript{46} According to the estimation of the Central Statistical Office in 2013, 335,000 Hungarians (3.4\% of the total population of 9.8 million people) aged between 18-49 years lived abroad, 63\% of them have not reached the

\begin{thebibliography}{99}
\bibitem{hvg} hvg.hu (2016) Az oligarchák tömését szolgálja a magyar adórendszer. Available at: http://hvg.hu/gazdasag/20170109_oligarchak_deak_daniel_adoamnesztia_interju
\bibitem{index} index.hu (2016) Sokkal gazdagabbak lettünk, de nagyon szegények vagyunk. Available at: http://index.hu/gazdasag/2016/12/30/ev_chartja_grafikon_2016_valogatas_legjobb_legjobb_kozgazdasz_elemzo/
\bibitem{Opten} Opten (2016) Fejlődik a hazai cégek termelékenysége, de az EU-tól még nagyon messze vagyunk. Available at: https://www.opten.hu/kozlemenyek/fejlodik-a-hazai-cegek-termelkenysege-de-az-eutol-meg-nagyon-messze-vagyunk
\bibitem{index2} index.hu (2017) Ez maga a haveri kapitalizmus. Available at: http://index.hu/gazdasag/2017/01/12/korrupcio_jogallam_birosagok_politika_interju_szalai_akos/
\end{thebibliography}
The number of Hungarian migrants with a higher education degree is excessively high (32%) compared to their number in the total population (18%). As reported by a recent survey 46% of the young Hungarians aged 18-24 years would like to move abroad. To make up for the lacking workforce due to migration the government enabled the ‘guest’ employment of citizens from Serbia, Ukraine and Belorussia in the autumn of 2016. However, without the necessary increase in salaries to keep up with payments within the Western EU countries, the incoming migrant workforce remains far behind the needed ratio, especially in the construction sector.

### 3.2. Examples of Undue Influence

The three cases below illustrate how under the circumstances of crony capitalism and state capture opaque lobbying unduly influences public decisions, legislation and the allocation of public funds.

#### a) The case of tobacco kiosk licences

The government, by adopting the so-called Tobacco Retailing Act redefined the tobacco retailing market by first introducing a government monopoly and then distributing new concessions to tobacco kiosk owners under the pretext of preserving the health of the youngsters.

At the end of this process, the number of licensed tobacco kiosks dropped from 40 000 to less than 6 000. Hungarian investigative journalists found in April 2013 that a preparatory version of the Tobacco Retailing Act, submitted on February 16, 2013 to the European Commission in the framework of a so-called notification process, had been drafted on a computer belonging to János Sánta, chief executive officer of the Hungarian tobacco company Continental and chair of the Federation of Hungarian Tobacco Investors, thus an influential representative of the tobacco lobby. Both the government and János Sánta have admitted the involvement of the CEO in continuous consultations leading up to the adoption of the Tobacco Retailing Act. Investigative journalists also uncovered that some 500 tobacco

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47 See p. 45
48 [https://www.ksh.hu/docs/szolgaltatasok/sajtoszoba/seemig_sajo_reszletes.pdf](https://www.ksh.hu/docs/szolgaltatasok/sajtoszoba/seemig_sajo_reszletes.pdf)
51 Act CXXXIV of 2012 on tobacco retailing
52 The concept of the government was to decrease the smoking of the youth by restricting the number of tobacco shops and denying the entry of young people into them.
kiosk licenses went to companies connected to János Sánta or belonging to his interest group of Continental Tobacco\textsuperscript{55}. In response to these findings, the government reasserted that the reshuffling of the tobacco retailing market aimed at improving the business environment of Hungarian tobacco companies\textsuperscript{56}.

The reshaping of the tobacco market showcased favouritism, illustrating the government’s determination to employ its regulatory power to promote the business interests of political loyalists.\textsuperscript{57} The new environment of tobacco retailing has had a controversial impact on the tobacco market, as the proportion of smokers dropped only by 2% among adults\textsuperscript{58}, while the government’s revenues generated by tobacco excise taxes decreased by 17\%\textsuperscript{59} and the lawful commerce in tobacco products dropped by 40\%\textsuperscript{60}. A considerable shift from lawful tobacco markets to unregulated and black markets may underlie these disproportionate trends\textsuperscript{61}.

\textit{b) The case of savings cooperatives}

The nationalisation of savings cooperatives, privately owned financial (credit) institutions with a nationwide network of customer service points, also proved the administration’s readiness to discretionarily design policies that incommensurately serve the interest of influential persons or oligarchs. In this specific case, the government, relying on its supermajority in Parliament, adopted a law in 2013\textsuperscript{62} that forced savings cooperatives to join a mandatory integration framework entitled to substantially influence the members’ business policy and even to veto any amendment to their deed of foundation. This newly designed integration mechanism is dominated by Takarékbank [Savings Bank] Ltd., a commercial bank originally under the principal ownership of savings cooperatives, which, through state owned enterprises, has been nationalized.

\textsuperscript{55} hvg.hu (2013) 500 trafik egyetlen kézben. Available at: http://hvg.hu/gazdasag/20130620_500_trafik_egyetlen_kezben_trafikmutyi


\textsuperscript{57} The United States Country Reports on Human Rights Practices for 2013 concluded that this was the ‘most high profile alleged corruption case during the year’ in Hungary. See page 34 of the report on Hungary, available here: http://www.state.gov/documents/organization/220497.pdf


\textsuperscript{59} hirtv.hu (2015) Virágzik a feketekereskedelem a dohánypiacon. Available at: http://hirtv.hu/hirtv_gazdasagi_hire/viragzik-a-feketekereskedelem-a-dohanypiacon-1274172

\textsuperscript{60} 444.hu (2015) Havi 45 milliárdos bevétel a nemzeti dohányboltokban. Available at: http://444.hu/2015/02/11/havi-45-milliardos-bevetel-a-nemzeti-dohanyboltokban/


\textsuperscript{62} Act CXXXV of 2013 on Integration of Savings Cooperatives and Amendments to Economic Related Acts
As a second step, the government re-privatized the quorum of this bank’s shares to an interest group close to the governing Fidesz party. The then appointed CEO of the Takarékbank Ltd., who acted in the meantime as the government’s commissioner to reshuffle the savings cooperatives sector, was a co-owner of the single bidder, who, unsurprisingly, won the formally open tender. The government, due to clandestine ‘strategic’ considerations, gave the green light to the corporatization of the Takarékbank Ltd., and exempted the process from the oversight of the Economic Competition Office. In sum, the government allocated public assets to augment the subscribed capital of a private savings bank which controls the savings cooperatives to later concede the newly acquired ownership rights to its cronies.

c) The system of sports financing

The system of Hungarian sports financing introduced in 2011 serves as a third example of public authority being employed with the aim to promote political programs or even private agendas. The government devised a new tax benefit scheme to channel significant amounts of financial support from businesses to the sports clubs and federations of spectator team sports. According to publicly available data, clubs of spectator team sports received tax-deductible company subsidies totalling HUF 204 billion (EUR 649 million) in the span of four years, i.e. between 2011 and 2015. By the end of 2016, the amount of tax deductible funding absorbed by sports clubs of spectator team sports reached HUF 300 billion. According to a government financial/budgetary forecast, an additional HUF 80 to 90 billion will be missing from the country’s central budget in 2017. As companies may deduct the amounts they donate to sports clubs from their corporate income tax, this scheme results in significant losses to the central budget of Hungary. As the information on the donor companies is not accessible, the system of tax deductible sports donations, while it repurposes public funds from the central budget to sports teams, remains opaque and unaccountable. There is a considerable imbalance between different sports clubs’ absorption rate, which is most apparent in the case of the most privileged recipient, the Felcsút soccer club, which seems to be the most privileged recipient. This may not be independent of the fact that Hungary’s Prime Minister, Viktor Orbán is an ardent football fan and Felcsút happens to be his hometown. Over 1100 football clubs received subsidies, in the sum of HUF 74.5 billion (EUR 240 million) between 2011 and 2015. Almost one third of this amount went to 13 soccer clubs, which thus received HUF 21 billion (EUR 68 million). Among these privileged clubs one finds the soccer club of Felcsút, which absorbed over 12 per cent of all football subsidies.

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63 Government decree No. 48 of 2014
66 http://nol.hu/sport/peter-sportalom-luxuskivitelben-1599125
equalling HUF 9.2 billion (EUR 30 million) during these four years.\textsuperscript{68} Moreover, the Felcsút-based football organisations absorbed an additional HUF 1.3 billion worth of tax deductible company donations in the 2016/2017 season, and another HUF 1.7 billion is already in the pipeline to be absorbed by Felcsút football club.\textsuperscript{69} The imbalance between the amounts suggests that subjective considerations may override rational aspects in the grant award process. The huge differences are even more perplexing if we consider that the amount of subsidy the ‘median’ soccer club receives a year is HUF 4.3 million (EUR 13.6 thousand).\textsuperscript{70} Under this system the emergence of brokers in order to arbitrate between the recipient sport clubs and the donors (enterprises) may reasonably be supposed, which opens up space for opaque and non-transparent lobbying.

The three examples enumerated shed light on how the disruption of control institutions results in systemic abuses of the rule of law, and create space for opaque lobbying. It also shows the systemic nature of undue influencing and corruption fostered by legal means. Common features of these cases are the exploitation of legislative power with the aim to promote partial interests and the lack of any effective domestic legal remedies. Both the tobacco kiosk regulation and the savings cooperatives regulation were challenged in regular courts and at the Constitutional Court in Hungary and neither of these fora supported the petitions of previous owners stripped of their proprietary rights. This reflects how pivotal values of a democratic society and fundamentals of a functional market economy, such as the rule of law, property rights and the prohibition for the government to arbitrarily interfere with current, existing individual contracts are outwitted by political considerations.

3.3. The Perception and Characteristics of Corruption in Hungary

The elimination of control institutions from Hungarian public life has increased corruption risks significantly. According to Transparency International’s Corruption Perception Index (CPI)\textsuperscript{71} Hungary is deemed to be moderately corrupt in a worldwide comparison, reaching 48 points in 2016 on a scale from 0 (‘very corrupt’) to 100 (‘clean and non-corrupt’), which is 3 points less when compared to the country’s score in the previous year. With this performance, Hungary ranked 57\textsuperscript{th} among 176 countries assessed. The perception of Hungary’s ranking\textsuperscript{72} on anti-corruption performance has dropped in central Eastern Europe among countries that have joined the European Union since 2004. By 2016, Hungary’s rank

\textsuperscript{68} This is the result of Transparency International Hungary’s Freedom of Information Requests.

\textsuperscript{69} http://24.hu/belfold/2016/12/16/kerti-tora-is-futja-tao-penzbol-a-felcsuti-fociakademianak/

\textsuperscript{70} This amount was determined by Transparency International Hungary by calculating the median value of subsidies in each of the four seasons and then using the average of the four to find out what an average soccer club receives each year.

\textsuperscript{71} CPI as a composite index scores countries on how corrupt their public sectors are seen to be by the business community and experts. A detailed description of CPI’s methodology is available at Transparency International’s website: http://www.transparency.org/research/cpi/overview

\textsuperscript{72} The points for Hungary have not changed dramatically. What has worsened is the relative position with other countries. There was a methodological change in 2012 that makes it difficult to compare the nominal results before and after that.
dropped to the bottom of the group, being followed only by Bulgaria and Romania. The table below shows the change in the perceptions of Hungary’s anticorruption performance between 2012 and 2016.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>CPI 2016</th>
<th>CPI 2015</th>
<th>CPI 2014</th>
<th>CPI 2013</th>
<th>CPI 2012</th>
<th>Change in Scores*</th>
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</thead>
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<tr>
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<td>70</td>
<td>70</td>
<td>69</td>
<td>68</td>
<td>64</td>
<td>0</td>
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<td>61</td>
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<td>Latvia</td>
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<td>57</td>
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<td>Lithuania</td>
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<td>43</td>
<td>41</td>
<td>41</td>
<td>0</td>
</tr>
</tbody>
</table>

* In 2016 compared to 2015

Source: Transparency International Hungary

According to Transparency International, corruption in Hungary reached the institutional level by 2008, which was demonstrated by repeated and regular abuses of power for private gains by both the central and local governments. After 2010, however, parallel to the major setback to the rule of law and to democratic principles, the nature of corruption has changed as it has become more centralized. Hungary has become vulnerable to a special kind of ‘state capture’, i.e. in which parties and politicians, in an informal network with oligarchs, re-politicize the state in pursuit of a political monopoly (World Bank 2000; Burai-Hack 2011; Innes 2014). Powerful oligarchs either outwit the government or, more frequently, are in symbiosis with influential public decision-makers, allowing them to extract public money from the system through intentionally designed and professionally managed channels (Jancsics-Jávor 2012). In the Hungarian system of state capture and crony capitalism,

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73 The perceptions of Hungary’s anticorruption performance also worsened in the European Union as a whole. The country used to be the Union’s 19th most corrupt jurisdiction out of 27 member countries in 2012. In 2013, Hungary’s rank sank to the 20th among 28 member states, where it remained in 2014 as well. In 2015, Hungary dropped to 22nd among EU members.


75 The other form of state capture is the corporate one where strong oligarchs take control of weak government.
corruption has become a specific form of rent-seeking, while money-making does not depend on market performance, but rather upon political connections. As mentioned beforehand, Hungarian economic actors are in a number of sectors prone to seek the grace of the government instead of competing in a regulated market providing grounds for the elite’s abuse of power for their private interests.

The combination of state capture and crony capitalism has also led to the deterioration of institutional performance. In business sector representatives’ opinion, the regulatory environment in Hungary has become unpredictable, and investors face a huge administrative burden. That was illustrated by the survey of the World Economic Forum, which concluded that Hungarian state institutions’ transparency and anticorruption performance was particularly worrisome. While Hungary was the 28th most competitive economy in the world in 2001, it only ranked 69th on the competitiveness list in 2016. The perception of public institutions reflecting the level of accountability and transparency within the public sector is exceptionally bad: from 26th place in 2001 the country slipped to 114th by 2016. Hungarian businessmen indicated regulatory uncertainty and corruption as the main obstacles to running a successful business.76

Corruption Perceptions Index (CPI): Hungary is a country of medium level corruption on a worldwide scale. It dropped 7 places last year, currently being the 57th most corrupt state out of the 176 countries examined.

There are only three member states in the European Union more corrupt than Hungary.

In 2012 we belonged to the four least corrupt countries in the Central and Eastern European region. By now Hungary has slipped back five places.

Hungary’s CPI results are continuously deteriorating. On the 0-100 scale Hungary slid down under the range of 50 points.
3.4. Expert views: One Economy, Different Perceptions

On one hand, the experts have recognised the recent positive tendencies in the economy. It was emphasized that ‘in 2010-11 the Hungarian economy was heading to a catastrophe, specific measures had to be adopted to cover the government deficit. Nevertheless, for the last three years Hungary has become a predictable country with decreasing deficit. The international rating agencies have upgraded the Hungarian economy into the category of countries with stable outlook’. On the other hand, the experts have also warned about several risks and worrisome trends in the private sector both at the roundtables and in course of the personal interviews. Many of them described the governmental measures, using their own expressions like, ‘ad hoc’, ‘hardly systematic’, ‘improvised’ and ‘rather tailored to the political narrative created by the government than the real needs of the economy and the society’. According to the experts the majority of the economic measures are not the outcomes of common thinking or mutual discussions as there is no consultation. Interest groups such as different chambers are claimed to be too weak to make an impact on the government or the legislature. Regarding the newly cut tax burdens one expert noted that ‘while the picture might look positive from the outside as the corporate income tax has been decreased, many punitive taxes are still imposed creating a highly uneven situation’. In general, the overall opinion of the business and economic experts participating in the roundtable discussion was in between the highly positive outlook of the government and the rather pessimistic picture painted by independent academics and analysts.

‘For the business sector politics in Hungary is radically centralized, non-transparent, and unpredictable’, an expert noted. However, the problems did not start with the current government. As an expert remarked quite ironically ‘I do not think that this government steals more than the previous one. They stopped the old taps and opened new ones. It has been constantly happening for the last 30 years. There was no lustration [when the political transition happened], hardly anyone knows why it was important not to publish information regarding former [communist] collaborators and agents. That is a heavy burden on society, since everyone has something to hide. Without casting light on these matters, we cannot go forward’.

The lack of transparency and predictability has sweeping consequences for the economy. One expert distinguished between two divided spectrums of the Hungarian business sector arguing that ‘beyond the visible business world there is a grey zone with business-like operation’ in which political interests override professional policy making. The expert described the ‘grey zone’ as follows: ‘If you know whom to turn to, it is easy to make lucrative investments in a very short time. Venture capital investments are accustomed to operate under ‘exotic’ circumstances. Large multinational companies mostly calculate the higher costs of a less stable business environment’. Another expert added that unpredictability has become systematic and can be calculated into investments. It was claimed that in the most extreme cases business actors sacrifice a lot of money to stay out of the spotlight, being afraid to gain too
much political attention. As one expert argued, ‘People with powerful relationships can influence for example the authorities, courts or law enforcement bodies to make others businesses and lives impossible. Paradoxically, the only option is to be as transparent as possible to avoid any claims or attacks’. These opinions underpin the notions of crony capitalism and state capture in Hungary.

A lack of transparency distorts the tax system as well. According to the experts, tax laws are drafted in a way that make it impossible for companies to operate in a completely transparent manner. Despite the cuts, the tax burden is still so high that hardly anyone can afford to act honestly. It was pointed out that ‘if people are forced to work in a grey zone, the system is advantageous for those in power, because everybody is within easy grasp. It is not a matter of compliance, but of political considerations whom to pursue’. In such a system, despite the stated intention of the government to make the business environment more transparent (e.g. through the new schedule for state budget planning), real changes are hardly tangible. However, Hungarian companies frequently stick to doing business in the country, and rarely enter international markets. As one of the experts noted, ‘A market of ten million people is sufficient for a company’. Even if leaving the local ties behind would provide an opportunity to become independent from the state, the requirement of creating high quality products that the world needs often exceeds the capacities of Hungarian companies.

There was a mutual agreement among the experts regarding the severity of bureaucratic red tape in Hungary creating a serious obstacle for business ventures. They stressed that the work pace within the public administration is very slow and problematic, arguing that ‘the society maintains a giant waterhead, but gets no quality service in exchange’. The bureaucratic channels and procedures inherited from communism are still slow, while ‘25 years after the political transition the public employees still not comprehend that they are paid to help the citizens’. Upon the experts’ experiences ‘no matter how many procedures are electronic, if one civil servant does not convince the other to put a stamp on any paper, it will not be done’. Real reforms have instead been avoided as ‘everybody is afraid for their jobs, and no government acts, because there is no comprehensive strategy about what to do with those 600,000 public officials without harming the civil service as a whole. Nobody wants to put the next election at risk; therefore everything remains as it is now’.

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77 See for example the widely publicized break between Viktor Orbán, the party of FIDESZ MPP, and Lajos Simicska, former economic director of the party who has meanwhile become the owner of a formidable business empire. Budapest Beacon (2015) Meet Lajos Simicska: Fidesz’s enigmatic oligarch. Available at: http://budapestbeacon.com/politics/meet-lajos-simicska-fidesz-s-enigmatic-oligarch/19187
Though most young respondents who took part in the research were still students or rather worked as employees, they were very aware of the possibilities and obstacles and had firm ideas about their own potential regarding business activities. Most of them were not keen on starting their own companies. They considered corruption a serious obstacle and a ‘cost’ to reckon with, e.g. when the required permission from the authorities concerned. Their assumptions were based upon their previous experiences. They have enlisted several cases when they had faced different forms of corruption including informal payments in the health care sector, bribes given to security guards to allow entering events, prefixed public procurement procedures with previously decided winners both on central and local level of public administration, examples of nepotism with whole families working in public bodies, payments to pass driving licence exams as well as police officers and public transport controllers to avoid fines.

A solid network of acquaintances and allies was also perceived a must even before setting up a business plan. A respondent described everyday life and the dependence on networks rather than merits as follows: ‘Meritocracy has never been in fashion in Hungary. The older generations lived accordingly, and the younger people have integrated into society following the same patterns. Already at the stage of choosing the best kindergarten and school all strings had to be pulled to get into the best possible place. Without knowing the right people ate the right place hardly anything is achievable’. This statement describes how connections overwrite merits and performance in the Hungarian economy and society.78

The participants distinguished between markets that were free to enter and markets already occupied. As one respondent argued ‘I would be able to open a small business like a café or a restaurant with no particular problem. But anything that grows out be big enough to enter the field of ‘big money’ or already monopolized markets should count on getting under pressure. Everything depends on the sector in which the venture is to be launched’.

The respondents identified systematic problems as well. It was commonly argued that the tax system is very complicated and hardly user friendly because of the number of changes each year that are difficult to follow and make it easy to breach the law. They also dismissed the practice that many only use the loopholes in the tax system to, for example, avoid having to sign employment contracts. The young participants missed sufficient systematic coordination of ensuring opportunities to enter the job market while there is skill shortage and a lot of hard-to-fill vacancies. In line with the statistics introduced above, less than half of the focus group participants considered leaving Hungary and continuing their lives in another country. However, their decision whether to stay or resettle was said to depend on

78 Transparency International Hungary has come to similar conclusions in its research on the Hungarian youth and corruption according to which 71% of young people thought that people who were willing to engage in acts of corruption had more chance to succeed in life compared to straightforward, honest people. See Transparency International Hungary (2016) Corruption Perceptions and Media Consumption Among Young People in Hungary. Available at: https://transparency.hu/wp-content/uploads/2016/09/Corruption_perceptions_among_youth.pdf
the political situation rather than the economic circumstances. They emphasized that the lack of predictability influences their quality of life most significantly.

Though not being involved with the business processes directly, the participants pointed out several discrepancies they had observed. An interviewee remarked ‘Everybody is afraid of free markets, foreign products, because in that case the goods would have to compete in an international market. The fear of competition blocks the employment market as well, that is why everybody is going for the shortcuts and easy solutions’. Another respondent emphasized the risks of Hungary’s high exposure to the international markets claiming ‘While the car factories generate a lot of jobs, it is very difficult to take back ownership into Hungarian hands. Hungary has no background in production. Such lack of independence poses serious threat to economic development’. Most respondents insisted that more transparency of how public money is spent would be essential as public awareness was ‘one of the foundations of democracy’ and a way to cast more light on background decisions and trade-offs. With a rather sceptical opinion on the operation of public bodies a participant noted that it was ‘absurd that biased state bodies under political influence control public money expenditure. The NGOs should have more external civic control’.
RULE OF LAW AND BUSINESS ENVIRONMENT

1

Overwhelming number of government bodies undermining the independence of state bodies (Constitutional Court, Prosecutor Service, Central Bank, Media Board)

Independent state organs becoming instruments of the government’s executive branch instead of controlling it

Attempts to cartel judicial independence

Simple majority in Parliament enough to prevent government information from becoming public

Oligarchs close to the government gaining influence over the media

Restriction legal regulations with transactional effect

Nurturing and sharing NGOs

Democratic checks and balances disrupted...

2

Public procurements exposed to corruption

Symptoms of oligarchs and the government

Over-priced EU funded projects

Cryp capitalism (state monopoly over tobacco retailing and controls, nationalization of savings cooperatives, golden visas)

Non-transparent public spending

Tax-deductible corporate donations to sport clubs “greening the wheels” for businesses

...and deteriorate the business environment...

3

...finally putting prosperity to a standstill.
## The Business Environment in Hungary Upon the Findings of the Experts and the Research

### Positive Tendencies (Drivers)
- Credit ratings upgraded to investment category
- Low budget deficit
- Current account deficit in surplus
- Debt-to-GDP ratio on the decline
- Composition of government debt improved
- Minimum wage set to be raised
- Cut in corporate tax

### Negative Tendencies (Costs)
- Crony capitalism: open discrimination in competition upon political loyalty
- Bureaucratic tax system with highly selective advantages and incentives
- GDP/capita lagging behind compared to most of other Central and Eastern European countries
- Weak productivity compared to Western Europe
- Overregulation and wide-ranging state intervention limits markets and causes high risks of corruption
- Unpredictable and non-transparent business environment
- Partiality and over-centralization in government decision making
- Punitive taxes are still imposed
- Slow public service with excessive red tape
- Limited competition in selected markets and sectors, only a small number of companies entering international markets
- The poor education system resulting in mismatch between the demand and supply side
- Not enough innovation, R&D spending
- Economic migration, lack of skilled workforce

## Recommendations to Improve the Business Environment in Hungary
- Steps towards regulations providing foreseeable policies and long-term stability as well as transparent decision-making
- Simplification of the tax regulations to promote transparent business operation
- Open, impartial and professional systems to channel interests into decision-making instead of favouring political loyalty
- Establishing a transparent, accountable and impartial institutional infrastructure for the promotion of investments and the whole economy
- Radical and consequent reforms within the public authorities to cut red tape and make service delivery more efficient
- Generating public-private dialogue on public and policy matters
- Adapting programs and community building to generate and social support to recognize meritocracy and achievements
- Launch of peer initiatives within the business sector to lead integrity programs and exchange of good practices to create principle-based and honest competition (also in cooperation with NGOs)
- More and stronger civic/social/NGO control over public money expenditure, including investment projects
4. XENOPHOBIA IN HUNGARY

4.1. Statistical Analysis on The Rise of Xenophobia

Though there are comprehensive and progressive legal regulations in force to protect minorities in Hungary\textsuperscript{79}, the social perception of specific groups, especially the Roma, and recently the migrants, paints a very different picture. In 2015, the Hungarian government launched an intensive campaign against the EU’s plan to resettle 1,294 refugees in Hungary (along with other EU member countries) resulting in an invalid referendum due to the low turnout (41.3\%) with 92\% of the voters saying no to the relocation plans. However, the concentrated and expensive\textsuperscript{80} campaign occupying each media platform and other forums available made a serious impact on the level of xenophobia in the country. According to data collected by the TÁRKI Social Research Institute in 2015 and 2016, 53\% of Hungarians appeared to be xenophobic. Following the government’s anti-migration campaign and quota referendum, by November 2016 the ratio of xenophobes rose to 58\%.\textsuperscript{81} Before 2012 some 30\% of Hungarians were seen to be xenophobic, a figure which grew to around 40\% by 2015. In a single year, the ratio of Hungarians with xenophobic attitudes has reached an all-time high record, and xenophilia (i.e. the attraction to foreign cultures) has practically disappeared.\textsuperscript{82} Interestingly, TÁRKI has collected data for 25 years on xenophobia and introduced a non-existent minority called ‘piréz’ into its research to examine the level of refusal of unknown groups among Hungarians. In 2015 53\% of the undecided respondents answered they would have refused to let the (otherwise imaginary) ‘piréz’ people into the country. In general, social groups living under graver conditions with less opportunities represent the dominant proportion of people measured as openly xenophobic. These groups are losing out both in terms of economic chances and education. According to social research, Hungarians who admittedly lost faith in politics constitute the largest group of people who would not let even a single refugee into the country, while Hungarians with higher education degrees are much more welcoming towards them.\textsuperscript{83}

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\textsuperscript{79} Act CLXXIX of 2011 on the Rights of Nationalities

\textsuperscript{80} According to the official information published by the Government Information Centre (Kormányzati Tájékoztatási Központ) the total anti-migration campaign cost 8.4 billion HUF spent from public budget. See index.hu (2016) Eladulta végre a kormány, mennyibe került a kvotakampány. Available at: http://index.hu/belfold/2016/10/04/eladulta_vegre_a_kormany_mennyibe_kerult_a_kvotakampany/ In comparison, the election campaign of government parties cost only 984 million HUF in 2014, according to their official declaration about their campaign spending. Transparency International Hungary (2016) A kvótaellenes népszavazási kampányról. Available at: https://transparency.hu/hirek/a-kvotaellenes-nepszavazasi-kampanyrol/

\textsuperscript{81} index.hu (2016) Sosem látott mértékű a magyarországi idegenellenesség. Available at: http://index.hu/tudomany/2016/11/17/soha_nem_latott_merteku_az_idegenellenesseg_magyarorszagon/

\textsuperscript{82} The TÁRKI research places respondents into three groups: xenophobic, xenophile (attracted to foreign cultures), and undecided. TÁRKI Social Research Institute (2016) The Social Aspects of the 2015 Migration Crisis in Hungary. Available at: http://www.tarki.hu/hu/news/2016/kitekint/20160330_refugees.pdf

A survey by Závecz Research, commissioned by the news website index.hu, found that the Roma (Gypsy) minority is no longer the most rejected in the country, but Arabs.\(^{84}\) At the same time, compared to the total number of the Hungarian population of 9.8 million roughly 5,500 Arab people live in the country.\(^{85}\) The Závecz Research asked Hungarians, also by the end of the quota referendum, whether they would accept minorities as their neighbours. Their findings showed that Arabs were the most strongly rejected. Only 21\% of respondents said they would accept Arabs as their neighbours, while 32\% would accept Roma, 35\% Christian refugees from Syria, 45\% homosexuals, 47\% Chinese, 50\% Americans, 51\% African university students, 57\% Jews, 60\% rock musicians, and 76\% ethnic Hungarian immigrants from Transylvania in Romania.\(^{86}\) Hungarians indicated migration issues as the most pressing challenge of the EU in the latest Special Eurobarometer on the future of Europe.\(^{87}\) Nevertheless, according to the Standard Eurobarometer of Autumn 2016 the majority of EU citizens have a negative feeling about the immigration of people from outside the EU in 22 Member States, led by Latvia (83\%), the Czech Republic (82\%), and followed by Estonia (81\%) along with Hungary (81\%).\(^{88}\)

The discrimination against Roma people is still an acute problem in the country. Upon the report of the European Roma Rights Centre (ERRC) the segregation of Roma children is increasing as ca. 45\% of Roma children attend schools or classes in which all or the majority of their classmates are Roma as well. In 2014, 381 primary and secondary schools have been officially reported to have 50\% or more Roma students. While since 2011 the Hungarian Supreme Court (Curia) has decided in five Roma education cases that Romani children were unlawfully segregated and two municipalities have been convicted by the Equal Treatment Authority for segregation, no specific governmental desegregation measures have been implemented to remedy the situation. As reported by several NGOs, including the Legal Defence Bureau for National and Ethnic Minorities (NEKI),\(^{89}\) the Hungarian Civil Liberties Union (TASZ),\(^{90}\) and the Helsinki Committee for Human Rights,\(^{91}\) the local police are administering a discriminatory fining practice in many settlements, dominantly in the North Eastern region of Hungary, regarding local petty offences. Even if such fines for e.g. a missing compulsory bicycle equipment are mostly lawful, the payment requires a considerable effort from the perpetrators which they usually do not have, thus they get sent to prison eventually. Again, though the Equal Treatment Authority and the courts found evidence for ill-founded and discriminatory fining practice in several instances, according to the ERRC, the National Police refused to examine the cases of the police departments concerned.\(^{92}\)

\(^{84}\) index.hu (2016) Sosem látott mértékű a magyarországi idegenellenesség. Available at: http://index.hu/tudomany/2016/11/17/soha_nem_latott_merteku_az_idegenellenesseg_magyarorszagon/


\(^{89}\) www.neki.hu

\(^{90}\) http://jogtalanul.blog.hu/

\(^{91}\) http://www.helsinki.hu/

4.2. Expert Views: Diversity Against Lack of Knowledge

The experts have highlighted fear and lack of knowledge as the main origins of the current rise of xenophobia in Hungary. It was claimed that the social perception often has nothing to do with facts as ‘People are afraid of the unknown, and hate because something is hurting them. No matter if that pain is real or not’. An expert added that ‘Lack of knowledge is not an exclusively Hungarian characteristic. But the attitude towards inclusiveness is different. It does matter if resentment is consciously generated by sharp interventions by those in power’. Another expert also observed manipulative tendencies, stated that ‘It is evident that the media is largely responsible for the rise of xenophobia’, and warned that ‘Demagogy threatens the youth, too’. Nevertheless, they agreed that ‘Being Hungarian does not depend on the colour of the skin’.

As to fighting xenophobia within and by the means of the private sector the experts shared rather similar opinions: ‘Diversity in the business sector is useful. Companies know that working with people from different backgrounds is advantageous for them. Different cultures, a different upbringing, draws in different points of view. Therefore much emphasis should be laid upon training leaders to support diversity’. Nevertheless, some held more sceptical views upon their first-hand experiences: ‘The business sector partly for being obliged, partly for being conscious is more open to diversity than society in general. But there is an apparent difference between principles and reality. Large companies mostly take a rather conservative path, they often consider supporting specific minority groups, e.g. the Roma people as a corporate governance risk’.

4.3. Youth Perception: The Fear of Ignorance

While the focus group participants confirmed the statistical results in general, they also emphasized that in case of the Hungarian society rejection does not mean actual hatred but rather fear of the unknown. A respondent argued, ‘Hungarians live in a closed society. They do not hate strangers, but rather think that those who they do not know should rather not come here. Those who have not met other cultures are more repulsive’. Another interviewee underlined that ‘Hungarians are not more xenophobic than other European nations, but the government campaign has had very detrimental consequences’. They warned about the necessity of being cautious with the use of the word ‘xenophobic’ as a stigma: ‘If one thinks that a country should preserve its cultural characteristics or ethnic composition, he is often labelled as xenophobic. One is perceived to be xenophobic if he insists on requiring permission and sufficient control to enter the country. As far as I am concerned only those who distinguishes others upon their race are xenophobic’.

At the same time, the participants were very aware of the everyday implications of the rejection of others: ‘Racist stories and jokes, for example about the Roma, are inherent parts of everyday slang without even realizing it or having personal experiences with the subjects of the jokes. Such stories are rather stereotypical and hardly anyone is shocked hearing one’. The
refugee quota campaign seemed to have made a deep impact on the participants, most of them had negative opinions about it such as: ‘It was a ‘clever’ discovery by the government how easy it is to find scapegoats. Such feelings can even be generated in people with no extremist views. But there are opposite examples as well. Those who faced the problem within personal reach wanted to help. Personal experience has triumphed over fears, but lack of knowledge and being afraid of the unknown are easy political targets’. Some participants were also concerned about the consequences of ‘the country closing its gates’ for ‘lack of openness erodes democracy’.

In addition to the evident problems regarding migration and bias against the Roma the respondents called the attention to rising social tensions regarding other deprived groups of Hungarian society: ‘Hatred is not only against the ‘strangers’. Poor people also face social and political ignorance, while media with close ties to the governing parties often introduce homeless people in shameful situations’. A focus group participant remarked, ‘Two million people live under the poverty threshold. Neither does their situation does not inspire them to get involved in anything, nor do they have the capacity to express any opinion’.93 They held ignorance against the politicians saying, ‘According to the government’s communication poverty is one’s own fault’.

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93 According to the data of the Central Statistics Office in 2015 altogether 1,398 million Hungarians lived under the poverty line earning less than 74,000 HUF (EUR 233 and USD 248) a month, i.e. one out of seven Hungarians is poor. 82.8% of the Hungarians living under the poverty line belong to the Roma community. Central Statistics Office (2016) A háztartások életszínvonalá, 2015. Available at: http://www.ksh.hu/docs/hun/ftp/idoszaki/hazteletszinv/hazteletszinv15.pdf p. 20-21
XENOPHOBIA IN HUNGARY UPON THE FINDINGS OF THE EXPERTS AND THE RESEARCH

<table>
<thead>
<tr>
<th>POSITIVE TENDENCIES (ECONOMIC DRIVERS)</th>
<th>NEGATIVE TENDENCIES (ECONOMIC COSTS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ corporate programs adopted to increase tolerance and diversity</td>
<td>▪ measured level of xenophobia is at an all-time high after the government’s refugee quota campaign</td>
</tr>
<tr>
<td>▪ like in other Central and Eastern European EU member states negative feelings towards immigration are growing</td>
<td></td>
</tr>
<tr>
<td>▪ lack of solidarity for poverty and deprivation</td>
<td></td>
</tr>
<tr>
<td>▪ very closed society (even compared to Central and Eastern European countries)</td>
<td></td>
</tr>
<tr>
<td>▪ affinity for social demagogu</td>
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</tr>
</tbody>
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RECOMMENDATIONS TO REDUCE THE LEVEL OF XENOPHOBIA IN HUNGARY

▪ firm control mechanisms regarding the implementation of already adopted diversity programs
▪ adoption of more specific programs in the business sector to promote and make use of the advantages of diversity such as training for leaders to support diversity within their own companies
▪ inclusion of people living under the poverty line and their specific needs into diversity programs to further the integration
▪ public awareness campaign


Financial Times (2016) Hungarian media group sold after controversial newspaper closure. https://www.ft.com/content/ab59ce55-e7d9-34b2-833d-fdb5a0e81436


index.hu (2016) Elárulta végre a kormány, mennyibe került a kvótakampány. http://index.hu/belfold/2016/10/04/elarulta_vegre_a_kormany_mennyibe_kerult_a_kvotakampany


GOVERNMENT DOCUMENTS AND ANNOUNCEMENTS

http://www.kormany.hu/download/2/08/70000/Unilever%20HU.pdf


LEGAL REGULATIONS

The Fundamental Law of Hungary

Act CLXXIX of 2011 on the Rights of Nationalities

Act CXXXIV of 2012 on tobacco retailing

Act CXXXV of 2013 on Integration of Savings Cooperatives and Amendments to Economic Related Acts

Government decree No. 48 of 2014
APPENDICES

APPENDIX 1

QUESTIONNAIRE FOR THE ROUNDTABLE DISCUSSION
SZAKÉRTŐI KEREKASZTAL BESZÉLGETÉS

‘Building Unity and Support for Democratic and Free Market Values in Central and Eastern Europe’

2016. november 3.

A KEREKASZTAL CÉLJA

A Transparency International Magyarország az amerikai Center for International Private Enterprise (CIPE) támogatásával egy nemzetközi program keretében átfogó elmezést készít a magyar gazdaság működését, valamint a demokratikus államberendezkést fenyegető korrupciós kockázatokról, valamint a fejlődést gátló és a gazdasági szereplőket korlátozó problémák ról, a korrupció gazdasági és politikai következményeiről. A kutatás kiemelt figyelmet fordít a fiatalok, azaz a jövő lehetséges vállalkozóinak véleményére, szempontjaira, lehetőségeire és megoldási javaslataira a témával kapcsolatban. A kerekasztal beszélgetés célja, hogy meghatározza azokat a problémákat, amelyek lényegesek a demokratikus működés és a versenyképes gazdaság szempontjából.

MEGVITATANDÓ KÉRDESEK

I. Demokrácia és korrupció

Vitaindító idézetek:

a) ‘Honfitársaink 79 százaléka szerint összességében rossz irányba haladnak a dolgok hazánkban. ... A magyarok probléma-rangsorában a második-harmadik helyen – szinte az egészségügygel azonos említési aránnyal, 58 illetve 56 százalékkal – a pénzügyi és politikai korrupció, valamint az elszegényedés és a társadalmi egyenlőtlenség következik.’ (Szonda Ipsos, G@ WWW: Min emésztjük magunkat?, 2016)
b) ‘Corrupt officeholders are generally prosecuted under established laws, but occasionally slip through political, legal or procedural loopholes.’ (Bertelsmann Foundation, Transformation Index, Hungary, 2016)

c) ‘The events in Hungary and in Poland signal a frightening tendency, which calls for urgent action. The threat of democracy endangers the EU’s stability by destabilising common values; the lack of media freedom and pluralism clearly and further destructs competitiveness of the EU economy.’ (European Parliament, Directorate General For Internal Policies, A comparative analysis of media freedom and pluralism in the EU Member States, 2016)

Kérdések az idézetek kapcsán

a) Egyetért a magyarok 79%-ával, miszerint Magyarországon ‘rossz irányba haladnak a dolgok’? Miért? Miért nem?
Miért gondolhatja így több mint a társadalom háromnegyede?

Mi lehet a kiút? Mindenki számára egyforma a kiút?

Hol vannak a beavatkozási pontok? Hogyan kellene beavatkozni? (jogszabályok, politikák, tudatformálás, stb.)

Ha rossz irányba megyünk, miért nem merül fel a változtatás igénye? Egyáltalán kinek mire van/lehet ‘igénye’? És miből kellene a változásnak állnia?

b) Egyetért a német Bertelsmann Alapítvány megállapításával, miszerint a politika, illetve a jogszabályok megfelelő kibúvót kínálnak a korrupció szankcionálása alól?

Mi lehet ennek az oka?

A jogrendszer betölti a szerepét? Pontosan milyen szerepet kell betöltenie?

Tapasztalható-e romlás a jogszabályok minőségében? (A jogszabályokkal kapcsolatos alapvető elvárás, hogy igazságosak, közérthetők, a kitűzött célok teljesítéséhez szabottak és betarthatók legyenek, illetve az elvárásokat/kötelezettségeket érthetően fogalmazzák meg és a szabadságjogokat ne korlátozzák. Ezeket teljesíteni a hatályos jogszabályok?)

Érzékelhető-e változás a jogrendszerben való hit, a jogszabályok követése tekintetében a társadalom részéről?

Vannak-e olyanok, akik a jogszabályon felül állnak?

b) Egyetért az Európai Parlament tanulmányával, miszerint Magyarországon ‘sürgős beavatkozásra van szükség’ – elsősorban a médiapluralizmus, de a demokrácia tekintetében is?

Magyarország ténylegesen veszélyezteti az EU értékeit?

Vagy lehetne ezt a tendenciát megfordítani? Milyen beavatkozásra van szükség?
II. A korrupció hatása a gazdaságra

**Vitaindító idézetek:**

a) ‘... a válaszadók szerint a korrupció a magyar üzleti gyakorlat szerves része, széles körben elterjedt, de ezt saját üzleti környezetükben nem tapasztalják.’ (Ernst Young, Integritás és korrupciós kockázatok a magyar vállalati szektorban, 2016)

b) ‘Obstacles to investment include a persistent lack of transparency and predictability, reports of corruption, favoritism, and excessive red tape.’ (US Department of State, Bureau of Economic and Business Affairs Investment Climate Statements for 2016, Hungary)

c) ‘Az önkéntes adófizetési hajlandóságot pedig valóban befolyásolja a bizalom, valamint a korrupcióval kapcsolatos észlelések. Érdekes módon a kormány vagy a törvények legitimitása nem hat szignifikánsan az adófizetési hajlandóságra, mint ahogyan az ország helyzetével kapcsolatos elégedettség sem.’ (Boda Zsolt–Bartha Attila: Adófizetési hajlandóság és bizalom, MTA, 2016)

a) Mennyire és hogyan befolyásolja a gazdaság működését az a kettősség, hogy míg – az EY tanulmánya szerint – a korrupció szerves része az üzleti életnek, személyesen (bevallottan) senki sem találkozik vele? Mi lehet ennek a kettősségnek az oka? (korrupció elfogadottsága, félelem, tradíciók, stb.) Lehet ezen változtatni?

Lehet becsületesen céget működtetni ma Magyarországon? Segít vagy akadályoz ebben az állam? Segít vagy akadályoz a jogrendszer?

Lehet-e avagy akar-e tenni a gazdasági szektor az egyes állami intézmények 'fogylyul ejtése ellen'? Kinek az érdeke és feladata tenni ellene?

b) Lehet-e sorrendet felállítani a az USA Külgümisztériumának gazdasági jelentésében leírt problémáik tekintetében? Érdemes-e? (átláthatóság, kiszámíthatóság, korrupció, kivételezés/protekcionizmus, bürokratikus működés)

Mit jelent a kiszámíthatóság hiánya a magyar üzleti életben? Mi okozza a kiszámíthatóság hiányát?

Érzékelhetően/valóban befolyásolják-e az említett problémákat a befektetési és vállalkozási kedvet a napi üzleti életben? És hosszútávon?

Befolyásolják-e a magyar cégek nemzetközi megítélését az említett problémák?

c) Érzékelhető-e a gazdaság működésében a közbizalom gyengülése? Lényeges-e a köz-bizalom a gazdaság működése szempontjából?

Érzékelhetők-e a gazdaság működésében a korrupciós botrányok?

Melyek azok az intézmények, amelyek – az Adóhatósággal ellentétben – még megőrizték a beléjük vetett közbizalmat? Ezek mennyire segítik az üzleti szektor működését? Mely intézmények tekintetében lenne szükség jelentős javulásra?
QUESTIONS FOR THE IN-DEPTH INTERVIEWS
MÉLYINTERJÚ-KÉRDÉSEK

‘Building Unity and Support for Democratic and Free Market Values in Central and Eastern Europe’

AUTORITER HATALOMGYAKORLÁS ÉS POPULIZMUS

Az amerikai Pew Kutatóközpont felmérése szerint a magyaroknak csupán a harmada gondolja azt, hogy bárki érdemi befolyással lehet a kormányra. Mi lehet ennek az oka?

Van ennek jelentősége az üzleti szektor szempontjából?

Ön szerint mennyiben tükrözik a kormány intézkedései a társadalom igényeit?

Ön szerint mennyiben tükrözik a kormány intézkedései az üzleti szektor igényeit?

Tapasztalható-e különbség a politikai retorika és a valós intézkedések, szakpolitikák, illetve a hétköznapi üzletmenet között?

A TÁRKI felmérése szerint a magyarok a magyarok 79%-a szerint Magyarországon ‘rossz irányba haladnak a dolgok’. Egyetért Ön ezzel? Miért (nem?)

Befolyásolják-e az említett aggodalmak, problémák (vagyis összességében a közbizalom hiánya) a befektetési és vállalkozási kedvet a napi üzleti életben? És hosszútávon?

Befolyásolják ezek a magyar cégek nemzetközi megítélését?

Melyik alapelvek érvényesül a magyar közintézmények működésében: átláthatóság, számonkérhetőség, kiszámíthatóság?

Szükség van rájuk pl. a cégek sikeres működése szempontjából?

Mely közintézmények őrizték meg a beléjük vetett közbizalmat? Ezek mennyire segítik az üzleti szektor működését?
IDEGENGYŰLŐLET ÉS RASSZIZMUS

Melyek Ön szerint az idegengyűlölet és rasszizmus legjellemzőbb megjelenési formái Magyarországon?

Pl.
• extrém megmozdulások, tettek (csoportos támadások, rasszista testi sértések, stb.)
• idegengyűlölő cselekményekre való buzdítás, közösség elleni izgatás, propaganda
• ‘kisebb’, de folyamatos sérelmet cselekmények (vandalizmus, graffitik, szóbeli sértések, stb.)

Ön szerint vannak-e kifejezetten magyar sajátosságai az idegengyűlöletnek?

Tapasztalhatók-e generációs különbségek az idegengyűlöletben?

Kinek (leginkább) a feladata közdeni az idegengyűlölet ellen? Ki lehet a legsikeresebb ebben?

Pl.
• kormány és annak intézményei
• helyi önkormányzatok
• kisebbségi/nemzetiségi önkormányzatok
• civil szervezetek
• média
• egyházak
• üzleti szektor

Számít-e az etnikai sokszínűség az üzleti szektor sikeres működésében Magyarországon?

Mennyire elfogadók/támogatók a cégek?

Vannak az idegengyűlöletnek gazdasági következményei?

Összefügghet a munkaerőhiánnyal, vállalkozók kedv szintjével?

Az üzleti szektor milyen módszerekkel léphet fel az idegengyűlölet ellen Magyarországon?

Pl. országos/helyi (média)kampány, belső intézkedések, etikai kódex, CSR akciók, ösztöndíj-program/ képzési-foglalkoztatási program kisebbségeknek/ menekülteknek élet-szerűsége, hasznossága Magyarországon, stb.
FOCUS GROUP QUESTIONNAIRE

‘Building Unity and Support for Democratic and Free Market Values in Central and Eastern Europe’

Note: the focus group research is based upon a semi-structured interview questionnaire. Depending upon the actual conversations the initial questions can be changed and/or further follow-up questions might be added.
<table>
<thead>
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<th></th>
<th>In English</th>
<th>In Hungarian</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>What is your opinion about the state of democracy in Central Eastern Europe?</td>
<td>Hogyan látja a demokrácia helyzetét a közép-európai régióban?</td>
</tr>
<tr>
<td>2.</td>
<td>What is your opinion about the state of democracy in Hungary?</td>
<td>Mit gondol a demokrácia jelenlegi helyzetéről Magyarországon?</td>
</tr>
<tr>
<td>3.</td>
<td>How would you evaluate the quality and predictability of everyday life/level and quality of democracy in Hungary?</td>
<td>Hogyan értékelni az mindennapi élet minőségét és kiszámíthatóságát Magyarországon?</td>
</tr>
<tr>
<td>4.</td>
<td>According to your opinion is the rise of xenophobia and radical political views apparent in the Hungarian society?</td>
<td>Ön szerint jellemző-e a magyar társadalomra az idegengyűlölet fokozódása, a szélsőséges politikai nézetek elterjedése?</td>
</tr>
<tr>
<td>5.</td>
<td>According to your opinion does the migration crisis influence the state of democracy in Hungary?</td>
<td>Ön szerint befolyásolja-e a bevándorlási válság a demokráciát Magyarországon?</td>
</tr>
<tr>
<td>6.</td>
<td>How would you evaluate the quality and predictability of everyday life/level and quality of democracy in Hungary?</td>
<td>Hogyan értékelni a korrupció helyzetét Magyarországon? (Tapasztalt személyesen korrupciót?)</td>
</tr>
<tr>
<td>7.</td>
<td>According to your opinion can we talk about state capture, i.e. the state being captured by certain interest groups?</td>
<td>Mit gondol, beszélhetünk-e 'state-capture'-ről, vagyis az egyes érdekcsoportok által foglyul ejtett államról?</td>
</tr>
<tr>
<td>8.</td>
<td>What do you think about the future of the EU and Hungary after Brexit?</td>
<td>Mit gondol az EU és Magyarország jövőjéről a Brexit után?</td>
</tr>
<tr>
<td>9.</td>
<td>What factors would promote democracy in Hungary? Follow-up: What can improve situation of youth in your area when it comes to education, labor market, business, civic society.</td>
<td>Ön szerint mi az a három legfontosabb tényező, amely akadályozza a magyar demokrácia fejlődését? Mi segítené elő?</td>
</tr>
<tr>
<td>11.</td>
<td>Is it more difficult to get by in the business sector than as a state employee? What do you need to succeed? What are the challenges of young people entering job market?</td>
<td>Nehezebb érvényesülni az üzleti életben, mint állami alkalmazottként? Mire van szükség az érvényesüléshez?</td>
</tr>
<tr>
<td>12.</td>
<td>Would you start your own business in Hungary?</td>
<td>Indítana-e saját vállalkozást Magyarországon?</td>
</tr>
<tr>
<td>13.</td>
<td>What do you need for a successful business venture? What are the obstacles and opportunities (incentives)?</td>
<td>Mire van szükség egy sikeres üzleti vállalkozáshoz? Mik az akadályok?</td>
</tr>
<tr>
<td>14.</td>
<td>Would you need to involve corruption to your business plans? What choices do you have? (prevention, fighting it, participating in it)</td>
<td>Be kell-e kalkulálni a korrupciót a vállalkozás-indításba? Milyen választások vannak? (megelőzés, kivédés, részvétel)</td>
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