

Hungary's Room for Manoeuvre in the U.S.–China Great Power Games

Tamás Magyarics and Balázs Mártonffy



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Edited by

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INTRODUCTION TO THE ENGLISH LANGUAGE EDITION

Geopolitics has become a ubiquitous term in international affairs, as developments in national, regional and global security are often traced back to great power competition. However, this does not mean that geopolitics produce universal realities or one-size-fits-all policies. The fundamental interests of great powers do determine certain collision courses, but the dynamics of their interactions vary from region to region, leading to elusive but critical dilemmas for regional actors. Indeed, though the geopolitical game field is dominated by great powers, smaller players must master the rulebook and the actual game of geopolitics as well.

The purpose of this book is to highlight how geopolitics play out at the intersection of great power collision courses. Specifically, it focuses on the rivalry between the United States of America and the People's Republic of China, and its implications for Hungary. Today's political and academic discourse suggests a wide array of options for addressing the challenge of U.S.–China collision courses, ranging from decoupling and derisking to friendshoring and hedging. But for small states like Hungary, the practical latitude offered by these theoretical concepts is limited, especially when the dynamics of international affairs are volatile.

World politics nowadays is perhaps more turbulent than ever before. Within a year of first publishing this book in Hungarian, we have witnessed an astonishing comeback of a Trump Presidency, an increase in tensions between the West and China in trade and technology, while the war between Russia and Ukraine has passed its milestone of one thousand days and the cataclysm of violence has returned to the Middle East. These developments did not overwrite but confirmed the conclusions of this book. The authors' manuscripts were finalised in the spring of 2023, but the respective chapters address lasting issues of geopolitical competition.

Accordingly, the book continues to offer a clear view of the rivalry between Washington and Beijing along with the complex theoretical and strategic dilemmas it carries for Budapest. As recent events have shown, understanding this competition requires a firm grasp of the domestic political, ideological and legal conditions, the international economic and business considerations, along with the new challenges in the realm of cyberspace and online media. Thus, the analyses in this book are valuable for all who are interested in the scale and scope of small state manoeuvre in the era of renewed geopolitical competition and in a turbulent political and security environment.¹

The editors

¹ The editors would like to thank Judit Szakos, Lilla Doucha and Gábor Csizmazia of the John Lukacs Institute for Strategy and Politics at Ludovika University of Public Service for their help and work in making this book a reality.

INTRODUCTION TO THE HUNGARIAN LANGUAGE EDITION

Perhaps the most important question of our time is not when the United States will find its challenger – as China has clearly grown up to this role over the past decade – but rather how the rivalry between these two giants will develop. Over the past twenty years, China has grown economically strong in an unparalleled way, on par with the United States in many respects, and is rapidly developing militarily and expanding regionally. In addition, it could also enter the hitherto exclusive Soviet–American and later Russian–American strategic nuclear competition in the near future, as it is making major developments in this field, too.

The rules of the international order, which have been effectively set by the United States since the end of the Cold War, are apparently changing. However, it is far from inevitable that China will overtake the United States. As a nuclear superpower, the U.S. still dominates, and although its leadership – and the unquestionability of the ‘liberal world order’ it promotes – is increasingly being challenged, it still has the greatest innovative and ‘soft’ power. It has many more allies than China, and it also has considerable background expertise and experience in the international power game.

This book aims to give the reader an insight into the rivalry between the two giants. What driving forces could turn the rivalry between China and the United States into a fight? What can influence the outcome of such a competition? These are complex questions calling for complex answers. Therefore, the rivalry, or the complex system of relations between the two great powers, has been broken down in this book into somewhat separable themes. We are looking for the sets of criteria that underlie the collision courses of these great powers, and we are trying to draw conclusions from these that will also help to define the room for manoeuvre available for Hungarian foreign policy.

In Tamás Fellegi's foreword, experience meets systemic thinking, and we get a complex but transparent answer to the question of why it is important for Budapest to interpret the rules of the U.S.–China great power competition correctly. Balázs Mártonffy's paper provides a theoretical overview of the movement of international systems and outlines the limits of the three dilemmas essential for defining the Hungarian room for manoeuvre through a realist lens.

Three further papers explore this topic: Gábor Csizmazia and Klementina Kozma analyse Hungarian responses to U.S. foreign policy priorities, Tamás Matura examines the impact of Chinese policy on our region and Hungary, while Tamás Baranyi attempts to determine Hungary's place in the renewed great power rivalry and identify the near and distant points of alignment for Budapest.

The next major thematic unit of the book examines certain aspects of the legal, domestic political, and ideological relations of the United States and their possible impact on Hungary. The study by István Stumpf and Boglárka Borbély examines the rule of law and the behaviour of the courts and specifically traces the reform of the U.S. Supreme Court and its impact on the system. Tamás Magyarics analyses the changing mindsets and ideologies in the United States and their Hungarian aspects in the context of Trump's conservatism, while Tibor Mándi examines the present and future of American liberalism.

The studies in the concluding chapter deal in detail with the transnational issues of our times, including the global economic processes in the analysis of László Örlös, the business world and human rights in the paper of Lénárd Sándor, the struggle in cyberspace and the ambitions of great powers in the study of Csaba Krasznay, while Csaba Gondola discusses the responsibility of social media, American and international regulation and the Hungarian implications of these issues.

The editors

Tamás Fellegi

FOREWORD

As an introduction to a monograph of this type, it is a cliché to note the timeliness of the choice of topic and of the publication itself. Still, let me start with this: both the choice of topic and the timing are spot on! The second, and now the third decade of the 21st century is characterised by the constant movement and transformation of the international world order. The apparent stability of the bipolar world order after the Second World War, and of American and liberal dominance after the break-up of the Soviet Union, was followed by economic, political and military unpredictability, and by the geopolitical instability generated by conflicts between regional or even national frameworks.

Russia's aggression against Ukraine has finally sobered the Western world from the false illusion of the 'end of history'. On 24 February 2022, Europe woke up to the inexorable end of a period of peace that had dominated the continent for three decades, and was faced with a situation for which it had no ready answers in its thirty years of peacetime toolbox. A new world order is being born before our eyes, but this process did not actually begin when the first Russian tank crossed the Ukrainian border. In addition to the changing dynamics of international power relations, the world's climate related and demographic problems, the culture war sweeping the Western world, and the negative economic and social effects of the pandemic, the unprecedented military offensive in Europe since the Second World War is another turning point in the construction of the world order to come. This world order, with its unique and evolving ordering principles and relations, also brings a new geopolitical reality, which requires a new interpretative framework in parallel with the revision of the basic theses established in previous years and decades.

Until 24 February 2022, it may have been true that our world was more characterised by multi-player rivalries than at any time since the Second World War. But Russia's brutal aggression against Ukraine has fundamentally shaken the Eurasian geopolitical system. Russia's war and the Western response to it are also fundamentally changing the functioning of the international economic system and its integration mechanisms. The global energy system, which has been stable despite the market volatility of recent decades, has been turned upside down. Europe's now unstoppable substantial disengagement from the Russian energy sector is rewriting the rules and bringing with it new trade and infrastructural cooperation, financing and development needs. The economic and financial sanctions against Russia also fundamentally affect the existing system of global economic integration.

Now, a year after the outbreak of the war, it is still too early to see what losses Ukraine will suffer and how much territory Russia will eventually be able to gain or retain. But it is clear that Russia will not be able to invade the country, will not be able to replace the government with a pro-Russian puppet regime, and will certainly not be able to 'denazify' Ukraine. In this sense, it cannot win its war against Ukraine and the Western alliance: the sanctions imposed on Russia through its own fault and the Western policies will force Russia's economy back into the 20th century. China and India – while not confronting Moscow, and even seeking cooperation with it on many points – are not risking their trade, financial and strategic relations by helping Russia. At the same time, in parallel with the formation of blocs once again, the world continues to move inexorably along the path of deglobalisation, where value chains are reorganised and states increasingly protect their economies, resulting in a world where the often conflicting elements of globalisation, bloc-formation and deglobalisation are simultaneously affecting geopolitical conditions. We see clear signs of this, for example, in the intensifying U.S.–China, U.S.–Europe and EU–China competition and related trade and protectionist conflicts.

Compared to Russia's original intentions and ambitions, Ukraine will emerge politically and morally victorious: even if it loses territory, it has won the sympathy of the developed world, its economy will be rebuilt by

EU and U.S. companies, and it will become a military great power in the region in the medium term with the influx of mainly U.S., British, German and French military equipment and advanced technology. In fact, Ukraine's Euro-Atlantic integration is inevitable.

The U.S. is building a military and political presence in the central and eastern parts of Europe that has been unparalleled in recent decades. This results in an increase in Washington's national security, political and economic leverage and activity. Thus, not only the friendly relationship with Russia, but also the friendly relationship with China is under increased pressure as a result of the Washington–Beijing conflict and 'decoupling'. Moreover, America's presence in Europe and its military support for Ukraine, as well as the containment of Chinese influence in the Eurasian world, unquestionably enjoy the support of a majority of both U.S. parties. The two main pillars of the U.S. presence in Central and Eastern Europe will be Poland and Ukraine, supported by Romania and the Baltic States. Warsaw is building Europe's strongest army as NATO's eastern bastion, while its role as an economic and energy hub is already visible. The Polish–American alliance could even replace centuries of German and Russian dominance in Central and Eastern Europe.

The legacy institutional system that emerged after the collapse of the Soviet empire is crumbling, regardless of the war launched by the Russians; digitalisation, social media, the Internet of Things are transforming not only interpersonal relations but also our international economic and political systems, marginalising or even invalidating legacy institutions, procedures and expectations. The emergence of AI-based processes and solutions, the construction of cyberspace gives new meaning to categories such as sovereignty, warfare, economic cooperation, supply chain. As this monograph makes clear, the interpretation and practice of cooperation–competition–rivalry, and the relationship between nation state sovereignty and the organisations that bring nations together, have become much more of a moving target and consequently a source of uncertainty and instability than in the previous 70 years.

The creation of spheres of interest and influence generates serious debate in academic, business and political circles. The protagonists, the interactions

between them and the power relations and developments that determine the outcomes of these interactions are variables in complex formulas, but ultimately all movements are the result of clearly articulated power considerations of the actors. They are never static, they must always adapt to the power dynamics around them. The constant interaction of power considerations and realities is the driving force behind the often turbulent movement of international politics, whose geographic and thematic framework is fundamentally determined by geopolitics. Although the main actors in geopolitical competition are primarily the great powers, including corporate empires that are often more powerful than states (such as Silicon Valley or the Chinese tech giants), still, geopolitical competition affects everyone, and sometimes even smaller players can play their part. One of the essential features of today's collision courses is that geopolitical movements have moved beyond the traditional political–military–economic framework, and technologies and the social, economic and business processes that build on them or result from them, and their implementers, have become actors themselves. Just think of the social media backdrop of the Arab Spring and the geopolitical consequences of the uprisings and civil wars that have engulfed the Middle East, such as migration crises or energy market volatility.

In the post-bipolar era, the United States of America and American liberal democracy – as the single dominant force in the international order – gave impetus and direction to the Euro-Atlantic integration of the Central European states, which are inherently part of the West. The political, privatisation, economic and, consequently, social transformations in the region have affected primarily the internal structures of the countries concerned. After NATO and then EU accession, the broader context, in other words the political and economic interests and positions of the historically dominant powers in Central and Eastern Europe, did not change significantly, although they fluctuated. But this was rewritten and overwritten by the processes set in motion by the Russian aggression. Russia's isolation and China's cautious manoeuvring as a great power have shown that the so-called illiberal political system has no power to organise international communities and cannot be used as a geopolitical strategy. Furthermore, it can be stated that there is no real alternative to the system of military, diplomatic and economic-financial

institutions built around liberal democracies. Moreover, the initiatives (e.g. One Belt, One Road; Asian Infrastructure Investment Bank) that challenge this Western institutional system are explicitly stigmatised in the eyes of the West. One of the most important consequences of the geopolitical changes we are witnessing is that the geopolitical latitude for smaller states, including even larger European countries such as Germany and the U.K., is shrinking dramatically.

While recognising the natural attraction of European integration and all its benefits and values, it is also a fact that power interests penetrate even institutionalised relations (transnational 'deep state'). Central and Eastern European leaders must be aware that, as our region has not only remained a theatre of geopolitical competition but has also become a war zone, every national movement can at the same time also be detrimental to the interests of a great power.

Geopolitics is therefore not only about the movements of the 'big', but also about the need for the 'small' (smaller) states to move, and even more so about the efforts of many small states, including Hungary (post-2010), to create their own geopolitically meaningful room for manoeuvre for themselves. The intensity and uncertainty of the implementation of this effort is dramatically increased by the storms and shocks that have pervaded the international system as a whole, among which Hungary has had to face the consequences of the 2008 financial and economic recession, the 2015 migration crisis, the long and devastating Covid period and now the Russian aggression in Europe. It is in this environment that the Hungarian political-economic and business elite must find answers to such crucial questions as the country's competitiveness, its demographic situation, the systemic protection of historic European values and our membership of the Western world – to mention just four key, very complex and crucial aspects for future generations.

Balázs Mártonffy

THE MELIAN DILEMMA, AS SEEN FROM THE BANKS OF THE DANUBE

INTRODUCTION

At the beginning of the 21st century, it is clear for all to see that the United States has found a systemic challenger in China. Many also assume that China's aim is to rewrite the rules of the world order established by the United States according to its own interests. But whether it wants to create a completely new set of rules and a new system at global level or only to reform the current one, are still open questions. Nor is it a foregone conclusion whether it will succeed or whether the United States will remain the primary great power in the international system. The purpose of this book is to assess Hungary's room for manoeuvre in the great power competition that is emerging and has already emerged in our time, and this chapter seeks to place this phenomenon in a theoretical and historical framework by addressing issues related to state and national security and the logic of power.

Different historical periods have different logics of power rivalry. According to some writers, the post-Cold War period, i.e. the post-bipolar period, was the most ideal for lesser powers, when they could best increase their room for manoeuvre.¹ But today we are beyond the post-bipolar era, and the rise of China has ushered in a new global era. So in this era of great power rivalry, it is not yet clear exactly what the fate of the lesser powers will be, and how much room for manoeuvre they will have. At the same time, a number of factors are beginning to emerge, the correct assessment of which is crucial in determining Hungary's room for manoeuvre.

The system is shaped by the rivalry between the two most dominant powers in the world, the United States and China, and the current global

¹ SZALAI 2020: 57–77.

environment is unreliable and unstable.² We are in a period of a so-called potential great power transition. In such cases, the lesser powers are usually only marginal players in the global context of the two powers' attention to each other. In fact, historical examples show that the aim of great powers is to prevent lesser powers from asserting their interests. This is particularly true in a period of great power competition. But even then, there is room for manoeuvre for lesser powers, and research clearly shows that even states much smaller than Hungary can achieve significant goals by choosing the right strategy.³ Hungary must find the limits of its room for manoeuvre in this dynamic.

In order to define and assess the extension of the Hungarian room for manoeuvre, three dilemmas need to be correctly identified and their answers optimised. The first dilemma is to define Hungary's power identity, in other words whether it is a small or a middle power, as the two definitions dictate different foreign policy logics. The second dilemma is an alliance security dilemma: Hungary needs to find the right answers to the fear of abandonment in the alliance and to the fear of entrapment. And the third is perhaps the biggest question of our time, the dilemma of whether our current era is special – whether it is qualitatively different, either because of the presence of nuclear weapons, or because globalisation has restructured our world, or because the United States is a hegemon different from the previous hegemons. In order to understand the three dilemmas, it is essential to have a historical background and a theoretical framework for interpretation.

THE ANCIENT MELIAN DILEMMA FROM A MODERN PERSPECTIVE

To interpret the dilemmas, we have chosen an extended realist framework, in other words we draw conclusions based on a realist⁴ foundation, while

² BRADY–THORHALLSSON 2021: 1–11.

³ BRAVEBOY–WAGNER 2010: 407–427.

⁴ To be more precise, we start from a theoretical framework called structural or neorealist in international relations theory.

keeping the limits of the theory in mind. The title of the chapter evokes the historical past by following the lines of the oldest so-called realist writing, Thucydides's *Peloponnesian War*. This writing, which "can nonetheless be a rich source of inspiration for contemporary realist political theory",⁵ contains the foundations of realism in political science and international relations theory. In realist theory, great powers that dominate a geographically defined region are called hegemons. In the regional great power competition of the 5th century BC, Sparta was the so-called 'status quo hegemon' ruling the system at the time. Sparta found a challenger in an emerging power, Athens. Athens was therefore the so-called revisionist hegemon, that is, the one who wanted to break the status quo, and its intentions grew with its power. According to Thucydides, it was Sparta's fear of the rise of Athens as the new hegemon that made war inevitable. It should be stressed here that it was not the fact of rise per se, but the *fear* of it, which, according to the ancient Greek writer, made conflict inevitable.

The rivalry between Sparta and Athens escalated into open warfare and spread to the whole region, and most city-states in the region have joined one or the other of the two alliances led by the two great powers. Melos, an island in the Aegean Sea and one of the region's minor powers, was still an independent state at the start of the rivalry. But it was different from other regional city-states in that it actually wanted to remain independent. But Athens did not allow this, and, according to the Athenian interpretation, could not allow it. The lines from the famous Melian dialogue below illustrate the logic of the opposing parties:

"Melians: So [that] you would not consent to our being neutral, friends instead of enemies, but allies of neither side?

Athenians: No; for your hostility cannot so much hurt us as your friendship will be an argument to our subjects of our weakness and your enmity of our power."⁶

⁵ ILLÉS 2015: 111–131.

⁶ THUCYDIDES 1910.

The stubborn resistance of Melos and its absolute insistence on maintaining its complete independence infuriated Athens, which eventually conquered it. Its men were put to the sword and its women enslaved by the Athenian great power. Melos wrongly defined its own power identity, the role of alliances and the importance of systemic criteria, and thus failed in its attempts to guarantee its own security.

The driving forces behind this historic example are still resonating today. If the parallel is to be applied to today's great power competition, the United States embodies the status quo hegemon, Sparta. China is its challenger, the revisionist hegemon, just like Athens was. The logic of the rivalry between the two hegemons and the return to the world of spheres of interest is part of our everyday life.

Taking the historical example further, Melos, which did not try to survive the great power rivalry of its time as a great power, could have been Hungary. After all, in today's Hungarian political dialogue we often hear the importance of independent and sovereign politics emphasised. However, Hungary's situation differs from that of Melos in at least one important respect. At the time of the above-quoted dialogue, Melos was not yet allied with either Sparta or Athens, but Hungary has been a member of the U.S.-led transatlantic alliance, NATO since 1999. These starting points provide the building blocks of our theoretical framework.

THEORETICAL FRAMEWORK

In order to correctly interpret the dilemmas affecting Hungary's room for manoeuvre and to understand the drivers of the international world order, the differences between states and powers need to be put into a theoretical framework. In political science and international relations theories, the social reality colloquially referred to as 'the world' is defined as the so-called 'international system'. And in the international system, it is the states that are the actors and it is their behaviour that is decisive.⁷ Their actions and the

⁷ WALTZ 1979.

stability of the international system are determined, in a realist interpretation, by how much power each state has and how many great powers are present at any given time. Power is a complex concept that is difficult to define, and in the political science context it is usually understood as the ability of an actor to force another actor to do something that the actor would not do on its own. And states have different powers, which are difficult to measure in general terms.⁸ Therefore, we have long thought of state power with an intermediate measure: the combination of military power and latent military power – i.e. economic power – was used as a compass for estimating the power of a state. Nowadays, more complex measures of power have emerged, which complicate the measurement of state power with several factors, including ‘soft power’, but the combination of military capabilities and economic resources available to a state is a commonly used starting point for classifying the power of a state.

States are nowadays categorised into three types: great powers (in their extreme form, superpowers), middle powers and small powers (in their extreme form, micropowers). But this has not always been the case, since international relations theory originally distinguished between only two types of power: great powers and lesser powers, meaning everyone else. However, this analytical framework, which included these two categories, was not sufficiently detailed or even relevant for powers that were not interested in the system as a whole, i.e. powers that did not have global ambitions.

The regional approach has become increasingly important in modern history. For example, the research of Kenneth Waltz, one of the most prominent figures of realism, carried out in the 1960s, showed that a bipolar world, a world with two great powers capable of forming two poles, was stable. According to Waltz, the stability of the relationship between the two superpowers during the Cold War between the Soviet Union and the United States was therefore the decisive factor. And in his view, the Vietnam War was only a small, uninteresting blip in the system, as it did not threaten the stability of the system. What is more, in Waltz’s

⁸ MORROW 1993: 207–233.

view this war actually benefited the system, because it provided a limited battleground for the great powers.

At the same time, it is difficult to simply ignore a war that has claimed hundreds of thousands of lives over almost twenty years. For powers with no global ambitions, the role of regions and a regional approach are therefore also relevant, alongside global stability. Because if we think regionally – and almost all states other than the superpowers operate in regions – a war like the Vietnam War does reduce stability. As a result of these processes, the concept of the ‘regional’ great power was introduced to the analytical framework, which often meant only a middle power at the global level.

However, as it became clear that the regional approach was at least as important as the system itself when considering the foreign policy room for manoeuvre of individual countries, it was no longer enough to think in terms of ‘great powers’ and ‘everyone else’. This is why the concepts of middle and small power have been developed, which are often used differently by scholars and experts, depending on whether they are thinking in a regional or world/systemic framework. For example, a power can be a full systemic middle power (like Germany today), but if we look at the European Union alone, it is already one of the great powers, together with France.

These concepts of power are often mixed due to the different contexts of territory and time. It is important to note, however, that there is not and never has been an exact dividing line as to when a state becomes a ‘great power’ or when exactly a state turns into a great power from a small power. Moreover, since power sometimes tries to see itself as stronger or weaker out of a hidden agenda, there will never be a clear dividing line. A scientific definition may reflect the views of the majority of researchers, but consensus on this issue is illusory.⁹

At this point, in the early 2020s, there are different pictures of the situation of the great powers. If we accept the combination of military and economic

⁹ Furthermore, it should be noted that the definition of power in such cases is problematic in itself, as some power structures, such as the state, can increase their power by being posed and analysed as a ‘higher’ category ‘type’, which can strengthen their negotiating position. This line of thought is important, but it is not an integral part of this paper, so I mention it only here, in a footnote.

resources, supplemented by ambition and soft power, broadly understood as the definition of power, then in the international system, meaning at the world level, there are two great powers: the United States and China. But if we look at the European region, which is of interest to Hungary, the situation is different. European lesser powers have little interest in the power struggles in South America or Oceania. If we narrow our theoretical framework from the world to the European region, the United States and China will be promoted to 'superpower' status. As a result, we can distinguish four great powers in the European region (Russia, France, Germany and the United Kingdom). Power status, on the other hand, is most often determined by the external image of the state's power, and states themselves, along their own interests, seek to manipulate this image of power to the best of their ability.

Let me take Russia and Germany as examples for a short paragraph! For Hungary, Russia is a regional great power. The Russian–Ukrainian war has weakened Russia's perceived power status, as its military has not been able to achieve the successes expected of it. How the consequences of the war will affect Russia's status as a power remains to be seen, and will depend largely on the outcome of the war. Although it can match the United States in global nuclear capability, it is qualitatively weaker than either the U.S. or China in economic terms. Germany is a regional economic great power, but at a global level it is nowhere near any of the hegemons.

In the theoretical framework, the United States and China are the two great powers with global reach and resources, able and willing to shape the international system. Their rivalry did not start in the early 2020s, and so in a slightly longer-term perspective, because of the historical past, we shall call the United States a hegemon. However, China is now on a par with the United States on almost all economic fronts, and in many cases has even overtaken it. But not yet in terms of the military (not to mention the soft power). It is based on this historic background that the United States is called the status quo hegemon and China the revisionist hegemon. On the one hand, the two hegemons will clash at the global level, but also, presumably, at the regional level, which is more important for Hungary, i.e. at the Central European level.

It is important to note that the international relations literature describes the situation from an Anglo-Saxon or specifically U.S. perspective. However, the United States is a great power with global ambitions, which has the capabilities to assume a hegemonic role. For example, when Harvard University professor Graham Allison writes about the China–U.S. great power rivalry, for him the system and the region are the same, since the ‘power’ of both states constitutes a global projection of power. Of course, Hungary, which does not have global ambitions, has to define a different power objective for itself.¹⁰ The definition of this objective is not a matter for science, but it is worth bearing in mind when, starting from this theoretical framework, we come to the three dilemmas that determine Hungary’s room for manoeuvre in the great power competition of our time.

THE FIRST DILEMMA: HUNGARY’S POWER IDENTITY

The first dilemma, the correct assessment essential for defining the Hungarian room for manoeuvre, is the definition of Hungary’s power identity. Because power identity is the cornerstone of an effective and efficient foreign policy. For example, a great power should behave like a great power, because if it does not, it will be overpowered. In defining power identity, three aspects should be taken into account: first, the objective power status of the given state; second, its external identity (how it is viewed by other states); and third, its self-identity (how it views itself).

At the level of objective capacity and power status, two types of state power should be defined in terms of whether the given state has enough power to create the rules of the system. The one that is able to do so is called a great power, the one that is unable to do so is called a lesser power. If we start from this logic, in the international system Hungary cannot be defined as a great power, since our gross domestic product is about 50th¹¹

¹⁰ The issue is further complicated by the fact that in the non-strict social science and political science approach, analysts, experts and public writers often use these terms as well, but with different meanings.

¹¹ CIA 2021.

out of the nearly 200 states in the world, and although its military power is developing, it is far below that of the great powers.

On the question of its external identity, Hungary is seen as a small power by other states in the world. It is also worth noting that the exact definition of power status is always relative, in other words it depends on how many states make up the system concerned and how and into how many states all the available powers are distributed. At the global level today, there are serious differences between the top two powers (China and the United States) and the ten or fifteen or so middle powers that follow them (such as India, Russia, Germany, Japan), and everyone else, the small powers.

At the same time, Hungary's self-identity as a power, especially in the last ten years, clashes with the other two aspects of its power identity. It is noticeable that Hungary's foreign policy operates more along the logic of a weaker regional middle power, meaning that it refuses to 'fall in line', but sets its own independent, 'sovereign' power goals. The basis of this self-identification is the regional approach, where Hungary's power self-identity is positioned above the small power identity. In this approach, if Hungary's region of power is roughly Europe or the wider Central European region, then both its political ambition and its capacity to assert its interests, as well as its GDP and its military strength suggest a weaker middle power status or the possibility of achieving it.¹²

Whichever way we approach Hungary's power identity, Budapest, not being a great power, must be aware that it cannot make the rules of the system. If Washington and Beijing go down the path of decoupling and we drift towards a new Cold War, Hungary will not be able to prevent it. At the same time, it is important for Hungary to correctly define its power identity, as the external and self-identity images dictate different risk-taking logics. In a broader sense: in the logic of a small power, risk-reducing

¹² The concepts of middle power and small power also need clarification in the world of political science, especially with regard to middle powers and their varieties and changes. The definition of power identities is further complicated by the fact that, in addition to its capabilities, the aspirations and action potential of the state concerned must also be taken into account.

steps are the most rewarding, whereas in the case of a middle power identity (even if it is only regional or weaker), higher risk-taking tends to be the way forward.

THE SECOND DILEMMA: THE SECURITY DILEMMA WITHIN THE ALLIANCE

In addition to correctly defining its power identity, Hungary as a NATO member must, according to the realist approach, effectively resolve the security dilemma within the alliance. In this dilemma, two kinds of fears emerge in the allied small and middle powers, in times when great power rivalry intensifies. On the one hand, they are afraid of being abandoned by the great power (fear of abandonment), and on the other hand, they are afraid of being dragged by the great power into a war where they will be the victims (fear of entrapment). These are the foundations of the alliance security dilemma, the logic and drivers of which Hungary must correctly assess and build on to develop well-priced responses.¹³

The intention of the great powers is to create the impression in the allied small and middle powers that they must necessarily behave as the great power would like. But research proves that this is not the case – it is merely a political communication used by the great power to strengthen its own position.¹⁴ While it is more important for the great power to preserve and maintain the relationship, the smaller allied power has some room for manoeuvre.¹⁵ However, as soon as a great power decides that the sum of the actions of the small and middle power is too costly for it, it can break the relationship, either by leaving the small or middle power alone or by trapping it. These drastic steps should be avoided by the smaller power, so it is worth bearing this dilemma in mind when Hungary considers maximising its room for manoeuvre.

¹³ SNYDER 1984: 461–495.

¹⁴ SNYDER 2007.

¹⁵ SIMON 2019: 118–135.

The rules of the international system are not set by the small and middle powers, but by the great powers. And when the strongest great powers, the so-called hegemons, are present, the rules of the international system are made by them. And in our time, two hegemons are present, the United States and China, who seem to be on a collision course. Therefore, in resolving the alliance security dilemma, it is very important to decide what we predict as the outcome of the great power rivalry. So the primary question is whether the rivalry between the United States and China can escalate into a world war; because in such a case the great powers often sacrifice their small and middle power allies for their own survival. Of course, small and middle powers must avoid this.

The primary question, then, is what the future holds in terms of the U.S.–China great power rivalry and the system itself. Perhaps the most famous and widely read paper on the U.S.–China great power rivalry is by Harvard professor Graham Allison. The theoretical framework he calls the ‘Thucydides trap’ provides the first pillar for interpreting the rivalry. Allison is looking for the answer to whether two hegemons can avoid armed conflict. In his view, the conflict between the United States and China can be avoided, especially if the leaders of the two countries pay special attention to the peaceful settlement of this issue.¹⁶ Some Chinese scholars have also concluded that the Thucydides trap can be avoided if the two great powers expand economic, political, security and cultural cooperation. Other researchers argue that conflict is almost inevitable, mainly because the sources and types of the conflict between the two great powers have increased dramatically.¹⁷

But there are interpretations that differ from this vision. Some scholars argue that states should not be ranked according to their objective power, but rather should be analysed on a relational basis.¹⁸ This relational approach is seen as highly appropriate for small powers, although this type of approach is still less widespread. If we step outside the narrowest interpretation of realism, we can observe that some states do not look only at the resources

¹⁶ ALLISON 2015.

¹⁷ DENG 2001: 343–365.

¹⁸ LONG 2017: 144–160.

available, but also at the intentions of the other state. Here, the researchers say, military conflict between the United States and China is likely if the United States perceives China as a bad faith actor with which it cannot build a relationship of trust.¹⁹

But other prominent political analysts have argued that it is possible that China is making a peaceful rise. To achieve this, according to Barry Buzan and Michael Cox, all China needs to do is draw the right conclusions from the rise to power of the United States between 1865 and 1945.²⁰ Still others argue that even posing the question in this way is inappropriate, because it is not the rivalry between the two great powers that will force China and the United States into conflict, but the alliances between the two states in the region.²¹ But even if war between the two hegemonies can be avoided, it is not clear what kind of world is coming. Although economic war is the most anticipated vision, but in the past, economic wars were sooner or later followed by military ones. Another possibility is that technological-political competition will be replacing the traditional political-ideological rivalry.²² According to a strategic study, China has no interest at all in suppressing the United States along traditional military lines. Instead of dominance, in line with China's long-term interests, longer-term cooperation is an equally conceivable vision.²³

Overall, and in a broad historical perspective, we can distinguish sixteen periods of hegemonic rivalry over the past centuries.²⁴ Twelve of these ended in war, but in four cases war was avoided. The correct resolution of the Hungarian alliance security dilemma therefore depends largely on what we predict: whether there will be a war between the two great powers. And the most important thing is to decide whether our present and our future are different from the past.

¹⁹ YODER 2019: 87–104.

²⁰ BUZAN–COX 2013: 109–132.

²¹ ER 2016: 36–46.

²² LIPPERT–PERTHES 2020.

²³ SHIFRINSON 2020: 175–216.

²⁴ ALLISON 2015.

THE THIRD DILEMMA: THE QUESTION OF THE UNIQUENESS OF OUR TIMES

The third important dilemma, then, is whether our present, that is, our age, is unique – in other words, whether it is different not only in quantity but also in quality from other periods in history. This question arises in the first place because we are experiencing a historically unique situation. The essence of this unique situation is that since 1945, there has been no direct great power war in our system, that is, on a world scale. There have been and still are small or so-called proxy wars, but no great power has been at war with another great power in the last three quarters of a century. Even in the Russian–Ukrainian war, we see a semi-proxy war rather than a direct one between great powers. The currently unpredictable outcome of the war and the conclusions that states will draw from it could have a major impact on this dilemma. Determining the cause of this situation is critical.

There are several possible explanations for the absence of a great power war. One explanation is that this period since 1945 is too short to draw any conclusions. If this is the case, there is no reason to talk about uniqueness, and hence this dilemma should be ignored. But, if this is indeed a unique historical situation, there may be several reasons, the correct recognition of which is of paramount importance in determining an effective response to the dilemma.

On the one hand, the proliferation of nuclear weapons may explain why there is no great power war. We can argue that war has become too expensive. If this is the case, then the rules of war have just changed and the response needs to be structured differently. Or it could be that globalisation processes have transformed societies to such an extent that we are talking about a qualitative change and it is not in anyone's interest to reverse it. Both claims are historically irrefutable because we have no counterexamples. But it is difficult to base a long-term foreign policy on these.

The absence of war may also have been caused by the fact that the current hegemon, the United States, often behaved differently than it does now. This has generally been confirmed by its multilateral diplomacy and its attempts to establish a liberal international world order – meaning that the United

States is not an interest-based great power, but a value-based one. Even if this explains the absence of great power wars, it is still worth examining the reasons for this. It should be noted that throughout history we have almost always observed multipolar or bipolar systems, never a period dominated by a single state that almost single-handedly dominated the whole system. But with the break-up of the Soviet Union, the U.S. found itself in this so-called unipolar situation. Unlike in historical examples, however, the hegemon in the system has invoked the value-based logic of the liberal world order over the last thirty years. However, this value-based great power behaviour could in fact conceal an interest-based approach, since the United States had no great power challenger.

Deciding this is of paramount importance in defining the Hungarian room for manoeuvre, as the autocracy of the liberal world order led by Washington seems to be challenged by the rise of China. In resolving this dilemma, the question to be decided is whether the kind of sphere of interest-based mentality last experienced during the Cold War can return. By spheres of interest, we mean a geographically delimited region where the strongest state can exercise power over other weaker states. It is a hierarchy-based micro system, where the state in power is strong enough, if its interests so require, to keep the other great powers out of the region and to keep the other states within its sphere of interest – i.e. the small and middle powers – dependent on it.

However, if we re-examine the events of the last thirty years through a realistic²⁵ lens, we can also find an alternative explanation for this period. Namely, that the United States has not left the spheres of interest behind, but has simply created a coherent, contiguous and almost boundless sphere of interest for itself. And here, the value-based approach was only an interest-based communication element.

In this dilemma, Hungary has to define its room for manoeuvre today without knowing for sure what the future holds, by only guessing from the

²⁵ But in addition to the above, there is another possibility, namely that human nature itself has changed. This is an interesting philosophical possibility, but an analysis of this is beyond the scope of this paper.

signs. It would have to pursue a different strategy if it knew that the future would bring military war, or if it knew that the United States or China would win the great power rivalry, or even if it knew whether nuclear weapons or the spread of globalisation had made war obsolete. Since it does not know the answers, therefore, it faces a high uncertainty factor when determining its strategy. As a starting point, it is worth noting that Hungary's primary objective, like that of any state, is the same as it has always been and will be, namely to guarantee its own security.

MACRO-LEVEL RESPONSE STRATEGIES

A state needs to assert its interests effectively in the international system to guarantee its own security. And while international relations theory in the last century treated small and middle powers as marginal actors in terms of assertion of their interests in the international system, there are many modern studies that refute this. They describe, among other things, how the room for manoeuvre of small and middle powers have increased, especially since the end of the Cold War.²⁶ Small and middle powers may follow different strategies when faced with a rising China and renewed great power competition in this new international context. Whatever strategy they choose, for them in particular, there can be a lot of derivative returns if they separate their actions from the explanation or political narrative of their actions.

At the systemic level, there are three distinct response strategies that a state in such a situation can choose from. Of these, international relations theory usually cites balancing behaviour as the main motivating factor when describing the alliance or positioning strategies of individual states.²⁷ What this means in practice is that when one state gains too much power in the system, the other states, fearing for their own security, will join forces and counterbalance it. The second commonly observed behaviour

²⁶ WILLIS 2021: 19–32.

²⁷ WALT 1987.

is 'bandwagoning'. Here, the less powerful states respond to the rise of an increasingly powerful state or emerging hegemon with a reaction other than balancing. They do not counterbalance, but join the rising state. They may do so to preserve their own security or for profit,²⁸ trusting that they will be remunerated by the rising great power. A third option is the 'hedging' strategy. Here, a state tries to enter into hedging transactions that limit its potential losses.²⁹

From these response strategies, the great powers can basically choose independently on the basis of their own capabilities. However, for small and middle powers, where there is no independent guarantee of security, different rules apply. For small and middle powers that are already part of an alliance system, alliance influence should also be taken into account when developing a response strategy.

When defining the room for manoeuvre of small and middle powers, it is important to bear in mind that in the past, the great powers have always looked after their own interests and often just took advantage of small and middle powers. And since it is not the small and middle powers that make the rules of the system, but the great powers, the small and middle powers must pay special attention not only to their actions but also to the appearance of their actions.³⁰ With a well-chosen communication strategy, the same action can be communicated differently to the two hegemons, which can increase the room for manoeuvre of a small or middle power.

THEORETICAL SUMMARY, PRACTICAL CONCLUSION

We argue that the correct interpretation of the three theoretical dilemmas presented in this chapter will determine the extent and scope of Hungary's room for manoeuvre. However, these theoretical issues, namely Hungary's identity as a small or middle power, the management of the double

²⁸ SCHWELLER 1994: 72–107.

²⁹ CHENG-CHWEE 2008: 159–185.

³⁰ RAFIQUE 2021: 16–33.

fears caused by the alliance security dilemma and the perception of our era as unique, do not result in a clear practical proposal. Translating theory into practice is not a straightforward process, which is why some other aspects are worth mentioning.

The first thing to remember is that the definition of power is constantly changing, and science is always one step behind politics. This puts theory at a 'competitive disadvantage' compared to practice, although the two intersect at some point.³¹ Furthermore, it is also a costly procedure to leave a system of alliance. Small and middle powers do not break their alliance ties easily, and the great power rivalry process alone so far has not provided sufficient justification for this. Finally, in considering the specificities of the Central European region, it is worth pointing out that research shows that lesser power states "have been able to influence the policies of the great powers during periods when they temporarily lost power in the region".³²

Thus, when the systemic position of a great power leading an alliance system appears to be undermined, the room for manoeuvre of the small and middle powers in the alliance system is increased: but only moderately. And only with caution should this room for manoeuvre be increased, because the great power uses a different logic than the small and middle power, and this increases the risk of error.

In order to reduce this risk of error, when increasing Hungary's room for manoeuvre, we propose to separate the management of resources from the management of influence,³³ and the actions from the communication of actions. In these times of systemic uncertainty, it is important for Hungary to increase its room for manoeuvre, but only as long as this does not cause too much damage within its own alliance system. There is no point in overstretching, because all the small and middle powers in history have come out badly from such actions.

³¹ This issue deserves a separate study.

³² BORHI 2014: 61–73.

³³ NASRA 2011: 164–180.

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THE GLOBAL POWER FIELD

WASHINGTON'S STRATEGIC PRIORITIES IN EAST-CENTRAL EUROPE

AMERICAN GEOPOLITICS AND EAST-CENTRAL EUROPE IN THE LIGHT OF THEORY AND PRACTICE

The realities of power that are at the heart of geopolitics have not only played a decisive role in the history of the United States and East-Central Europe; these realities have also bound the transatlantic parties together. However, the latter's relationship to geopolitics is more nuanced. On the one hand, while today's international order was established according to Washington's expectations, American foreign policy thinking has long rejected great power politics.¹ On the other hand, East-Central Europe was constantly the subject of great power politics, as the smaller states of the region were squeezed between the surrounding powers. This is why geopolitics itself has acquired a dubious reputation.² While it is debatable whether geopolitical considerations have ever disappeared from international politics, it is undeniable that the power competition between the United States and its challengers has been spectacularly revived in the 2010s. East-Central Europe is one of the sites of these geopolitical ambitions.

¹ MCCORMICK 2010: 22.

² Geopolitics is derived from the German word *Geopolitik*, which was associated with German (and Nazi) great power ambitions between the two world wars (OWENS 1999: 62). Likewise, the German word *Mitteleuropa* was also taboo (especially in Slavic circles) as one of the first geopolitical concepts targeting East-Central Europe.

East-Central Europe in American geopolitical theory

There has always been a certain distancing from Europe in British and American foreign policy thinking. Yet prominent geopolitical thinkers have paid special attention to Eastern Europe. At the beginning of the 20th century, the British geographer Halford J. Mackinder referred to Eurasia as the *World Island*, emphasising a core territory (*Heartland*) there. By this territory he meant (without really precise impoundment) a space surrounded by the Baltic Sea, the middle and lower Danube, the Black Sea, Asia Minor, the Caucasus and Persia, Tibet and Mongolia. Mackinder reminded that the root cause of the First World War was the competition for the Heartland (specifically the desire to bring the Slavs under Germanic rule and the resistance of the Slavs), which involved three major powers with considerable human resources (Germany, Austria–Hungary and Russia). As early as 1919 he believed that no written treaty (such as the Covenant of the League of Nations) could guarantee that the Heartland would not become the focus of another world war. Thus, Mackinder felt it important to emphasise his famous idea for posterity: “Who rules East Europe commands the Heartland; who rules the Heartland commands the World Island; who rules the World Island commands the world.”³ Accordingly, one of the main goals of British geopolitics is to prevent a hostile power from becoming a hegemon in Eurasia.

The ideas of the British Mackinder were applied from the perspective of the United States by the American Nicholas J. Spykman, who also based his theory on geographical conditions and the relationship between maritime and land powers. One of the features of Mackinder’s Heartland was that it had no exit to the oceans, unlike the inner crescent around it. Spykman retained the idea of the Heartland, but renamed the inner crescent to the more colloquial rimland, and applied the more apt term off-shore to the outer crescent that covers the islands and territories scattered around Eurasia. He also refined the British geographer in his geopolitical conclusions.

³ MACKINDER 1996: 78–80, 106.

According to Spykman, Mackinder's idea that in Eurasia the land and maritime powers were competing for dominance (which meant British–Russian competition) is misleading. Instead of these two powers, the forces that change the power relations in the rimland are the real objects of conflicts (as illustrated by the anti-French and then anti-German British–Russian alliances). Hence Spykman's famous saying: "Who controls the Rimland rules Eurasia; who rules Eurasia controls the destinies of the world." Thus, instead of the Heartland the rimland has become important: this is where the United States took up arms in two world wars against a drastic shift in the balance of power.⁴

Spykman may have played an important role in geopolitics getting out of the hands of the Nazis and becoming a recognised part of international relations analysis. After all, American foreign policy thinking could become aware of the thesis that the question of the balance of power in Eurasia is an important task for the United States, involving local activity. According to Colin S. Gray, Spykman, alongside George F. Kennan, could also be considered the father of the strategy to contain the Soviets, as the creation of NATO ensuring a U.S. presence in Europe was "a characteristically Spykmanesque development".⁵ Ironically, it was the bipolar order that removed our region from the U.S. geopolitical calculus. In 1963, American geographer Saul Bernard Cohen noted that after having Europe divided into western and eastern parts, "Central Europe is no more. It is a mere geographical expression that lacks geopolitical substance".⁶ After the Cold War, the idea of rethinking the geopolitical map of Eurasia was revisited, and Cohen himself was one of its proponents: in 1991, the author identified Central and Eastern Europe as a *gateway region*, a site of interaction between the two main geostrategic spaces (the maritime and Eurasian areas).⁷

⁴ SPYKMAN 1944: 35–44.

⁵ GRAY 2015: 880, 883–884, 892.

⁶ Saul B. Cohen is quoted by DHAND 2018: 165.

⁷ OWENS 1999: 70–71.

East-Central Europe's geopolitical oblivion and return

In practice, Washington's interest in our region was muted in the 20th century. Although Spykman's insight into the relationship between the rimland and U.S. involvement in the two world wars was correct, the United States was less active in the post-war settlements in East-Central Europe. While Woodrow Wilson's liberal internationalist views offered self-determination for the nations in the region that did not bring stability, Franklin D. Roosevelt's approach did not envisage a central role for East-Central Europe, and ultimately meant a realist acceptance of a Soviet sphere of interest. During the Cold War, Washington's attitude was characterised by ambivalence:⁸ the disconnect between rhetoric and action indicated that the region was 'politically dead',⁹ meaning that it was a 'forgotten region'.¹⁰ There was also a duality in U.S. foreign policy of the post-bipolar era. In the Western literature dealing with the future of East-Central Europe the American authors (for example Henry A. Kissinger and Zbigniew Brzezinski) were more active, but their views have not resonated well in the states of the region.¹¹ A striking example of this is a 1991 article by Madeleine Albright, who was of Czechoslovakian origin. On the one hand, the later Secretary of State stated that "the region of central and Eastern is strategically important to the Eurasian landmass [where countries wishing to strengthen their American relations] [...] provide an important foothold for the United States [...] between Russia and Germany". On the other hand, she saw the establishment of a pan-European security system more likely than the enlargement of NATO to the East at the time.¹²

All this meant that in Washington, East-Central Europe was not important in itself, but only in relation to other powers: primarily Russia and secondarily Germany.¹³ In the early 2000s, the countries of the region were

⁸ HUTCHINGS 1994: 45–46.

⁹ LUERS 1987: 978–979.

¹⁰ GATI 1975: 136–140.

¹¹ RIEKHOFF 2003–2004: 56.

¹² ALBRIGHT 1991: 82–84.

¹³ KOCH 1993: 92.

able to strengthen their positions through their support for the wars in Iraq and Afghanistan, although this was only temporary: 'New Europe' proved to be an enthusiastic but weaker ally in Washington than the western 'Old Europe', and its geopolitical value was less relevant to global challenges. The latter was changed by the 2014 conflict in Ukraine. Geopolitics itself has returned into U.S. foreign policy with the Trump Administration's strategic documents: the 2017 National Security Strategy mentioned the term 'geopolitics' several times,¹⁴ which was previously uncommon in documents of this type, and usually they had not dealt with and had not been aware of the reality of power struggles in other regions of the world.¹⁵ Similarly, the 2018 National Defense Strategy stated that Washington's focus is now on "inter-state strategic competition, not terrorism".¹⁶ The Trump Administration proclaimed the need to defend the West, associated with the liberal international order, precisely in East-Central Europe, as it was President Trump's 2017 Warsaw speech that formed the basis of the official Europe strategy entitled "Anchoring the Western Alliance".¹⁷ The strategy was announced by A. Wess Mitchell, who had previously written about power probes on the borders of the Western alliance, designed to test Washington's commitment to its local allies.¹⁸ Therefore, it was not surprising that our region received special attention in the Trump Administration's Europe strategy,¹⁹ and that U.S. diplomacy returned to East-Central Europe with "principled engagement"²⁰ and various gestures.

¹⁴ The White House 2017: 26–28, 32, 34, 45–46.

¹⁵ SCHADLOW 2017.

¹⁶ United States Department of Defense 2018: 1.

¹⁷ MITCHELL 2018a.

¹⁸ GRYGIEL–MITCHELL 2011.

¹⁹ WRIGHT 2018.

²⁰ WEMER 2019.

U.S. GEOPOLITICS AND EAST-
CENTRAL EUROPE TODAY

During the Trump Administration, our region benefited from increased U.S. interest, which was mainly felt in the form of improving political ties. Washington's 'principled engagement' with East-Central Europe brought a sort of pragmatism which meant flexibility in dealing with politically sensitive issues according to their strategic priority. The main question for the East-Central European governments, which had a better political relationship with the Trump Administration than their Western European counterparts, was how far it was politically tenable to enforce actions (common interests of the U.S. and East-Central Europe) over words (gestures expected in transatlantic relations). Thus, the outcome of the 2020 U.S. presidential election was a highly significant development in our region, especially in light of the fact that Joseph R. Biden's victory suggested the return of an old–new U.S. foreign policy.

The justification for and the lack of U.S. strategy

The experience of recent years shows that not even transnational challenges that are supposed to bring everyone into a community of interests can alleviate the international power struggle, as the coronavirus epidemic has further increased the turbulence in international politics. According to Henry A. Kissinger, the pandemic changed the world order forever, bringing to the fore an anachronistic concept of governing, a kind of 'walled city' against external enemies.²¹ While previous regional security challenges have called into question the viability of the institutions of the liberal international order, the coronavirus epidemic has called into question the sustainability of the dependencies arising from the global production chains. The latter has necessitated a reassessment of the West's relationship with the People's Republic of China, reinforcing the idea already expressed earlier,

²¹ KISSINGER 2020.

that Washington's main geopolitical rival is not Moscow but Beijing. For all his personal and professional antipathy, Joseph R. Biden shares some of the insights of his Republican predecessor in this area: both see inherent flaws and abuses in the liberal international order, stemming partly from the domestic socio-economic changes caused by globalisation and partly from the actions of foreign revisionist forces. Jake Sullivan, President Biden's chief national security advisor, previously wrote that none of Washington's challengers can replace the liberal order, as Moscow lacks the capacity and Beijing lacks the will.²² In the year of the presidential election, however, he also thought it timely to ask whether the People's Republic of China wanted to be the world's leading power. If so, Beijing can achieve this at the regional level by gaining ground in East Asia through hard power, or at the global level by politically and economically undermining U.S. alliances through sharp power in various places like in East-Central Europe.²³

A. Wess Mitchell also believed that this was the very reason and justification for the U.S. strategy in our region, and other analysts as well have later confirmed this,²⁴ pointing to the importance of U.S. support for geopolitically motivated regional initiatives.²⁵ Nevertheless, the foreign policy of the incoming Biden Administration was met with mixed expectations in East-Central Europe. The Democratic politician's personal and professional profile is the antithesis of his Republican predecessor: President Biden has nearly fifty years of experience in Washington politics, part of which was spent specifically on foreign affairs issues in his time in the Senate and as Vice President. Notably, key members of his Foreign and Security Policy team (including Secretary of State Antony Blinken, National Security Advisor Jake Sullivan, and Assistant Secretaries of State Victoria Nuland and Karen Donfried) are also known as professional veterans. With regard to East-Central Europe, critics have pointed out that President Biden and the above experts were recruited largely from the Obama Administration, which had enjoyed unrealistic popularity in Western Europe for a long

²² SULLIVAN 2018: 16–17.

²³ BRANDS–SULLIVAN 2020: 46–51.

²⁴ TUZHANSKYI 2021: 69.

²⁵ FARAPONOV 2021: 74.

time, while paying less attention to East-Central Europe (up to the crisis in Ukraine), one of its first foreign policy initiatives being the attempt to reset U.S.–Russian relations. In contrast, optimists highlighted the liberal internationalist and Atlanticist profile of the members of this foreign affairs team, as well as their hardline Russia policy, which was already voiced during the tenure of Barack H. Obama. In light of this, some expected that the Biden Administration's foreign policy in our region would in fact not repeat but exceed that of its Democratic predecessor.²⁶

However, it is debatable whether the Biden Administration even planned a comprehensive strategy for East-Central Europe. While President Biden's domestic and international political situation is far from identical to President Obama's, there are important similarities. On the one hand, since the Obama Administration, there is a growing desire in U.S. foreign policy to change its role of the hegemon. In practice, this is mainly reflected in stronger domestic (social and economic) programs and more restrained international engagement (ending and avoiding military conflicts). The desire to cut the costs of the global war on terror coincided with the need to address the problems of the 2007–2008 financial and economic recession, directly linked to promises of long overdue improvements of domestic infrastructure. The latter idea in particular has gained ground in both Democratic and Republican circles. Donald J. Trump's campaign slogan of 'America First' (complemented by the motto 'Make America Great Again'), associated with his realistic nation state selfishness, was essentially intended to express this need, and although Joseph R. Biden's agenda is closer to the liberal tendencies in international relations, in the shadow of the coronavirus epidemic, the strengthening of the U.S. economy and infrastructures is also a priority for him. This was clearly illustrated by the initiatives he has promoted (including the presidential executive order favouring the purchase of U.S. goods, and particularly the \$1.2 trillion bipartisan-supported bill essentially on physical infrastructure development, as well as the more politically divisive \$1.75 trillion Build Back Better package referring to infrastructure in a broader sense). Of particular note is the 2022 Inflation Reduction Act,

²⁶ ÅSLUND 2021: 47–48.

passed along party lines (with Democratic support), which, contrary to its name, mainly promotes green transition. The law essentially aims to boost the U.S. electric vehicle industry through protectionist measures (federal subsidies for North American products), which in turn forces European economies into competition.

On the other hand, in terms of transatlantic relations, President Biden started from a similar position as President Obama: like the Bush Administration, the Trump Administration left behind a politically damaged U.S.–European relationship, which was felt above all in Washington's relations with the European Union institutions. In terms of ideology, Trump's foreign policy took a more pragmatic approach towards U.S. allies and partners, which facilitated U.S. gestures to East-Central European governments (including presidential-level meetings and ministerial-level visits). The Trump Administration's conservative internationalism indeed brought it closer to the vision of many East-Central European governments on certain issues (such as national sovereignty), but it also led to political disputes between Washington and its Western European allies (Brussels, Berlin and Paris), with a feeling reminiscent of the early 2000s. In 2021, the Biden Administration made several gestures to address this problem. The President's trip to Europe in June proved to be quite rich in symbols, from the signing of the New Atlantic Charter to the NATO meeting before his meeting with Vladimir Putin, to the halting of Donald Trump's planned withdrawal of 12,000 U.S. troops from Germany. These were mostly positive developments for East-Central European allies, but the Biden Administration's practice increasingly revealed a desire to see Europe as a single entity, as it was the case in the Obama Administration. In the first half of the 2010s, this practice marginalised East-Central Europe, and the 2014 crisis in Ukraine only partially changed this. In fact, this was the kind of European policy that was to be expected from Biden's foreign policy, meaning that Washington would prefer to see Brussels or Berlin as its primary European partner.²⁷

²⁷ SOROKA 2021: 101–102.

Reloading U.S. geopolitics

Joseph R. Biden's foreign policy strategy is based on a foundation that is partly in continuity and partly in discontinuity with the foreign policy of his predecessor. On the one hand, the Biden Administration shares the Trump Administration's perception that the challengers to U.S. power have become more assertive in international politics, representing alternatives to the liberal American political system. At the same time, Biden's foreign policy stressed that the action of the revisionist forces should not be interpreted as a mere realist competition, but also as an ideological confrontation. In other words, the geopolitical competition is ultimately between democracies and autocracies.²⁸ Accordingly, unlike its conservative predecessor, the liberal Biden Administration goes beyond the logic of a realist contest for power and would instead forge a closer community of democratic countries and confront democracies that are deficient or lag behind in democratic values.²⁹

President Biden's vision is almost identical to G. John Ikenberry's post-coronavirus worldview: according to the theorist, an internationalist backlash is expected to come, as in the 1940s, in which "democracies will come out of their shells to find a new type of pragmatic and protective internationalism".³⁰ According to the Biden Administration, strengthening U.S. leadership can be achieved through a stronger application of elements of the liberal internationalist tradition. In the words of the President, "[t]he answer to this threat is more openness, not less: more friendships, more cooperation, more alliances, more democracy".³¹

On the other hand, the Trump and Biden foreign policies also agree that the actions of the revisionist powers have made it impossible for the institutions of the liberal international order to function (as envisaged by its founders). However, unlike his predecessor, President Biden saw the solution not in withdrawing the U.S. from the institutions, but in

²⁸ The White House 2022: 6–8.

²⁹ BIDEN 2020: 64–67.

³⁰ ALLEN et al. 2020: 11.

³¹ BIDEN 2020: 76.

fundamentally rebuilding them. According to the Biden Administration, the liberal international order's "flaws and inequities have become apparent [...] and the past order cannot simply be restored".³² In this respect, the Biden concept has "broken down the dividing line between foreign policy and domestic policy".³³ In practice, this meant that American initiatives aimed to reform the international order could be achieved by launching domestic socio-economic programs on the one hand, and gathering foreign allies receptive to the spirit of the latter on the other. Concrete examples include the strong support for the idea of a global minimum tax, and the thoughtful plan to rebuild global production chains in the wake of the coronavirus pandemic (including the boost to the U.S. electric car industry to counter the Chinese industry). In fact, the latter was facilitated by the series of Western sanctions imposed on Moscow following the Russian invasion of Ukraine. Sanctions packages of unprecedented scale and power, applied by the United States and its partners, not only hit the Russian military machine, but also isolate its supporters from Western financial and economic systems. In this respect, the Biden Administration's actions also reflected the views of some analysts, such as Hal Brands: Washington eventually had to face the fact that instead of a comprehensive international order, a world divided along geopolitical lines is emerging.³⁴

For East-Central Europe, this means that in the geopolitical competition between the great powers, the countries of the region are not only targets of influence, but also members of a community of democracies with which Washington can ensure that the agenda, norms and agreements that define international political and economic relations are anchored according to U.S. interests (and values).³⁵ But this does not mean that Washington has a new strategy for the region as a whole. U.S. relations with the countries of East-Central Europe continue to be determined by the specific geographic location and foreign policy orientations of these countries, primarily in

³² The White House 2021a: 8, 13.

³³ The White House 2022: 11.

³⁴ BRANDS 2022: 24–27.

³⁵ The White House 2021a: 20.

relation to Russia: while all the countries of the region are stakeholders of securing NATO's eastern flank, the U.S. pays special attention to the strategically prominent countries (primarily Poland and Romania). Washington is aware that its geopolitical competition with Moscow and Beijing brings smaller countries to crossroads, which is why the Biden Administration has stressed that it does not want a rigid bloc system to emerge.³⁶ Nevertheless, the Biden Administration's foreign policy has recharged U.S. geopolitics in East-Central Europe: on the one hand, the region is being repositioned as a borderland rather than a potential gateway region, and on the other, this means a longer-term strategy of deterrence and containment (until the enemy is exhausted).

U.S. GEOPOLITICAL PRIORITIES IN EAST-CENTRAL EUROPE

For the security of the U.S. allies and partners in East-Central Europe, the military and energy sectors, as well as the modern (e.g. digital) infrastructures are of particular importance. The Biden Administration saw the region in relation to Russia from the start, which implied a stronger deterrence and sanctions policy towards Moscow.³⁷ However, this happened step by step, as events unfolded. The Russian invasion of Ukraine is indeed of global significance, as is the unprecedented level of U.S. attention on NATO's eastern flank, but the Biden Administration has basically reacted to developments, in contrast to the (sometimes counterproductive) proactive practice of the Trump Administration. In addition, the U.S. influence on Europeans' relationship with Beijing is not an easy task either, because although Biden's approach seems friendlier compared to Trump's style, Washington offers similar geopolitical responses as before.

³⁶ The White House 2022: 9.

³⁷ ÅSLUND 2021: 48.

Defence and deterrence against Moscow

While the Trump Administration was often accused of not being committed to the collective defence with NATO allies and of being soft on Moscow, American practice disproved this claim: the U.S. has not only maintained but also increased its military presence in East-Central Europe, including by increasing resources for the European Deterrence Initiative (EDI) and by funding Defender-Europe 20 which started off as the largest U.S.–European military exercise in the last quarter of a century. In addition, U.S. military cooperation with East-Central European allies was further strengthened by the sale of U.S. military equipment in the region. Finally, an important development under the Trump Administration was that Washington started to support Ukrainian forces with lethal weapons (Javelin anti-tank missiles), to increase the cost of a possible future Russian military action. All of this demonstrated well how the Trump Administration used hard power to assert its interests in the geopolitical competition. The downside of its efforts was the neglect of sophisticated diplomacy, especially towards Europeans: while President Trump's remarks on transatlantic burden sharing in defence were not new in substance, the U.S. criticism was expressed in a style that was unusual among allies, and as a result political tension within NATO increased. Moreover, the gap between the Trump Administration's words and actions has also divided European allies: while the words have been missed by Western Europe, the East-Central European countries have been concerned with practical measures rather than American rhetoric. In essence, the transatlantic political debates and their manifestations (such as the U.S. and French assessments of NATO's viability) have led to the curious situation where European confidence in the reliability of the United States weakened despite unprecedented U.S. engagement.

The Biden Administration has sought to demonstrate a spectacular improvement in U.S. foreign policy towards European allies. At the same time, many of President Biden's gestures in 2021 were mostly symbolic, while Europe was not a top priority in Washington's military planning. The Biden Administration has moved EDI into the Pentagon's base budget (meaning that it plans for this expenditure in the longer term rather than annually),

but has reduced its amount: while EDI was budgeted at \$4.5 billion in 2021, the 2022 plan appropriated only \$3.7 billion. In truth, this reduction was already part of a trend that started in 2020 under the Trump Presidency, as the previous administration increased the \$3.4 billion European Reassurance Initiative (ERI) in 2017 to \$4.8 billion in 2018, renamed it to EDI, and then increased it to \$6.5 billion in 2019, before starting to reduce it to \$6 billion in 2020.³⁸ Meanwhile, the Biden Administration launched the Pacific Deterrence Initiative (PDI) with a budget of \$5.1 billion in 2022. Underlying the PDI is the spectacular rise of Chinese power ambitions, which the Pentagon sees as the number one challenge.³⁹ In essence, this is also a legacy of the Trump Administration: the 2018 National Defense Strategy already focused on the People's Republic of China and proposed to strengthen U.S. military forces in East Asia rather than in Europe. The Biden Administration was expected to continue this and, at the same time, to push for greater European autonomy.⁴⁰ Washington has partly returned to the Obama Administration's 'Pivot to Asia' policy, although it has pushed its European allies to greater autonomy in practice, too, with the controversial issue of 'strategic autonomy' once again coming to the fore.⁴¹ From an East-Central European perspective, this means that, in addition to the greater extension of European integration initiatives to the defence sphere, we can expect a geographically and thematically more limited U.S. attention (focused on certain countries, primarily Poland and Romania, and on critical infrastructure at the regional level), and that both should be interpreted in the Chinese context.

The issue of the U.S. military presence in East-Central Europe has come to the fore again with the escalation of the crisis in Ukraine. The overall U.S. activity manifested in the form of political statements, emerging economic sanctions, and the provided military assistance and potential deployments can be described as consistent. Yet the sequence of events also highlighted that Moscow's actions caught Washington overall unprepared. On the one

³⁸ BELKIN-KAILEH 2021.

³⁹ United States Department of Defense 2021.

⁴⁰ HERSZENHORN 2021.

⁴¹ KOCHIS 2021.

hand, an early 2022 statement by President Biden inadvertently highlighted the reluctance of the United States and the internal divisions within NATO when he spoke of the possibility of a dispute among European allies over the precise response to a possible “minor incursion” by Russian forces into Ukraine.⁴² Kyiv’s leadership, which communicated that it would treat any further violation of Ukraine’s territorial integrity as an invasion, was concerned about the uncertainty surrounding the \$200 million U.S. military aid announced in 2021 but not delivered (postponed to 2022). On the other hand, also in early 2022, the Biden Administration started to consider the deployment of thousands of U.S. troops to eastern NATO member states (mainly the Baltic States and countries bordering Ukraine): in January, the Pentagon put 8,500 troops on high alert, but no decision was taken to redeploy them from the U.S. It should also be noted that Washington announced their possible deployment (and the sending of additional troops) only after the failure of the peace talks, and intended this move as a deterrent in parallel with continued diplomacy.⁴³

However, the latter raises the question of whether the Biden Administration really planned to strengthen U.S. military presence in East-Central Europe at all in the first place, and thus to deter Moscow. Washington’s action in this regard was limited in 2021: in addition to the halting the withdrawal of 12,000 troops, previously announced by the Trump Administration, the Biden Administration announced in April 2021 the deployment of 500 additional U.S. troops to Germany. The forces deployed months later are intended to be involved in multidimensional (including cyberspace) operations and to support longer-range strikes in the European theatre of operations. Both activities can be seen as part of the defence and deterrence against the Russian threat,⁴⁴ but the size and geographic location of the deployed forces still did not represent a shift in Washington’s planning towards East-Central Europe. Moreover, the timing of the build-up of military deterrence against the Russian threat in 2022 may have been late, especially in light of the fact that there was essentially no political deterrence:

⁴² CROWLEY–ERLANGER 2022.

⁴³ COOPER–SCHMITT 2022.

⁴⁴ DENI 2021.

the Biden Administration (unintentionally) took a soft line on Moscow at several points in 2021, when it held up the promised military assistance to Ukraine and when it paid disproportionately great attention to improving U.S.–German political relations in its foreign policy, limiting its own room for manoeuvre. Although Barack H. Obama’s foreign policy team and Joseph R. Biden’s team only partially overlap in personnel and concept, in Moscow’s eyes they showed a similar attitude when favouring de-escalation diplomacy.⁴⁵ Although President Biden had in January 2022 held out the prospect of increasing the number of U.S. military forces in NATO member states in Eastern Europe, he said at the time that the latter would not have meant deploying “too many” troops.⁴⁶ However, by June 2022, the United States had increased its presence in East-Central Europe by 20,000 troops and redeployed a number of military equipment, mainly to Poland, the Baltic States and Romania.⁴⁷

The Russian invasion of Ukraine in 2022 therefore proved to be a milestone for the U.S. military presence in East-Central Europe. On the one hand, despite the communication failures earlier that year, the Biden Administration successfully united its European allies. The new strategic concept adopted at the 2022 NATO Summit in Madrid identified the Russian Federation as the most significant direct threat to the political sovereignty and territorial integrity of member states, while the People’s Republic of China was identified in the document as a systemic challenge – both positions are in line with Washington’s strategic vision going back to 2017. In terms of its military footprint in East-Central Europe, NATO has moved away from a tripwire-like deterrent presence towards a forward defence, although the implementation of the latter concept is to be ensured by NATO’s new force model, which had not yet been detailed at the Madrid Summit.⁴⁸ On the other hand, Washington has been at the forefront of direct support for Ukraine: in 2022, the Biden Administration has committed nearly \$27.1 billion in security assistance to the Eastern European country.

⁴⁵ ROUGH 2021.

⁴⁶ NELSON 2022.

⁴⁷ United States Department of Defense 2023.

⁴⁸ GOTKOWSKA–TAROCIŃSKI 2022.

The U.S. assistance came through various channels, two of which are worth highlighting: on the one hand, President Biden used his 'Presidential Draw-down Authority' nearly thirty times between August 2021 and January 2023, which meant the transfer of stockpiled military equipment worth a total of \$18.3 billion,⁴⁹ and on the other hand, Congress gave additional leeway to the U.S. Government through the Ukraine Security Assistance Initiative (USAI), which provided military assistance worth nearly \$6.57 billion in seven tranches in 2021–2022 through the procurement of new equipment.⁵⁰ In terms of U.S. support and transatlantic unity, it is worth highlighting President Biden's announcement on 25 January 2023, in which he approved the transfer of 31 pieces of M1 Abrams armoured personnel carriers to Ukraine after months of reluctance. The point of the U.S. turnaround was to align with the German position, given that Berlin had at the same time (also after a long period of reluctance) authorised the transfer of Leopard 1 and 2 tanks to Ukrainian forces. The latter vehicle is intended to support the Ukrainian offensive against Russian forces, which is a qualitative milestone in Western support for Ukraine.

The United States and European energy security

Although most European countries have recently created independent energy programs emphasising energy diversification, the Russian Federation remained the EU's top supplier of natural gas and oil products when Russia invaded Ukraine in 2022. And until the mid-2000s, the only route to meet Europe's growing demand for gas from Russian sources was through Ukraine, which also meant vulnerability: in 2005–2006, Ukraine tapped the gas pipelines on several occasions, causing Moscow to stop gas supplies to Europe. Although following a similar situation in 2009, a Russian–Ukrainian agreement was made, still, Moscow sought to bypass Ukraine through the Nord Stream and South Stream pipelines under the Baltic Sea. The first Nord Stream project started in 2006, and after its inauguration in 2012, Russian

⁴⁹ ARABIA et al. 2023.

⁵⁰ Bureau of Political-Military Affairs 2023.

gas supplies to Ukraine decreased significantly.⁵¹ Washington opposed the pipeline already at the planning stage, and later it even threatened to impose sanctions on it, because it said it would make European states more vulnerable to Moscow.⁵² While the original construction of the South Stream pipeline became impossible due to the relevant EU legislation in 2014, the construction of Nord Stream 2 could not be prevented by Brussels, although in 2016 some EU Member States (including the Visegrád countries) sent an open letter to the European Commission expressing their concerns about the geopolitical consequences of the construction of the second northern pipeline. East-Central European countries share Washington's view that a second German–Russian project would have further increased Europe's already strong dependence on Russian energy (and would have significantly reduced Ukraine's revenues from gas transmission).⁵³ The Trump Administration imposed sanctions on companies involved in the construction of Nord Stream 2, nevertheless, the project was completed by August 2021. Before the delivery of the pipeline, Washington (already under the Biden Administration) had reached an agreement with Berlin regarding the pipeline's completion.⁵⁴ Although the project was considered by many to be inevitable, Washington wanted to favour Berlin on the matter, while not informing Warsaw of its merits.⁵⁵ In addition, the Biden Administration did not increase sanctions, despite the escalation of the crisis in Ukraine: in January 2022, a new package of measures proposed by Republican Senator Ted Cruz was rejected by Democratic Senators, who had consistently supported sanctions for years, because the sanctions would make Washington's negotiations with Moscow and its unity with Berlin more difficult. The decision by the Democrats was partly influenced by Biden administration staff (Assistant Secretary of State Victoria Nuland and Energy Security Advisor to the President Amos Hochstein).⁵⁶ Following

⁵¹ PROKIP 2019.

⁵² FARMER 2021.

⁵³ SYTAS 2016.

⁵⁴ FARMER 2021.

⁵⁵ MITCHELL 2021.

⁵⁶ COWAN–GARDNER 2022.

Russia's invasion of Ukraine in 2022, economic and trade relations between the West and the Russian Federation deteriorated rapidly, while dialogue between Moscow and Washington was significantly reduced. Presumably Nord Stream 2 was also a victim of the escalation of the war: under unclear circumstances, damage was caused to the pipeline by an explosion. The pipeline through the Baltic Sea would have transported approximately 55 million cubic metres of Russian gas to Germany,⁵⁷ a project on which U.S. representatives repeatedly disagreed. It is worth noting that as a result of the Western sanctions policy, the international companies responsible for the implementation of Nord Stream 2 had pulled out of the project before the explosion.

In addition to sanctions, another option Washington must alleviate Europe's dependence on Russian gas is to export American liquefied natural gas (LNG). The United States became a net exporter of natural gas worldwide in 2017 for the first time since 1957, meaning that it has been able to increase its sales steadily over the past five years (apart from a downturn in 2020 due to the coronavirus epidemic).⁵⁸ As the United States exports LNG to the world from 2016 and wants to sell it as soon as possible, Europe is an important target for Washington, both in security and economic terms. Following the annexation of Crimea by the Russian Federation in 2014, the United States responded with economic sanctions and sought to reduce dependence on Russian gas in East-Central Europe by placing its LNG on the European market.⁵⁹ In 2019, Mike Pompeo visited Budapest and Warsaw as Secretary of State, where he discussed strengthening U.S. relations, with a special focus on energy diversification.⁶⁰ Although East-Central European allies would welcome U.S. LNG as part of a move to reduce dependence on Russian gas, the arrival of this LNG has been hampered by infrastructural and financial obstacles. Poland is the most important customer in the region and aims to become an important distribution hub for U.S. LNG in Europe in the

⁵⁷ Nord Stream 2023.

⁵⁸ ZARETSKAYA 2021.

⁵⁹ LOHMANN–WESTPHAL 2019.

⁶⁰ SZCZUDLIK 2020: 127.

future.⁶¹ Croatia can also be mentioned as a potential distributor, although it has a shorter history of U.S. LNG exports and much lower volumes: while the Poles purchased nearly 3,905 million cubic metres of gas between 2017 and 2022, the Croats imported only 1,115 million cubic metres of gas from the U.S. between 2020 and 2022.⁶² Moreover, even LNG exports are surrounded by a myriad of questions under the Biden Administration, as while it remains in Washington's economic interest to maintain international sales of U.S. LNG, President Biden has been less receptive to the exploitation of fossil resources (in particular shale gas from fracking) for environmental reasons.⁶³ However, since 2021, the United States has nearly doubled its liquefied natural gas exports to Europe, becoming the EU's second-largest gas supplier (after Norway) by the end of 2022.⁶⁴

Investment competition with Beijing

A. Wess Mitchell, as Deputy Assistant Secretary of State for European and Eurasian Affairs in the Trump Administration, repeatedly stated that the influence of the People's Republic of China and the Russian Federation as rivals of the United States had increased in East-Central Europe. Mitchell was primarily trying to point out to the American political elite that Europe had once again become the scene of strategic competition, where the emphasis is on influence over the eastern flank.⁶⁵ Beijing, with its rapid economic and technical advancements, and Moscow, with its expanding energy sector, cyberattacks and potential for armed war, are Washington's real concerns. Mitchell attributes the dependence of East-Central European states on China partly to the 2009 Eurozone crisis, which left Western European banks slower to lend than many states in the region needed to restart after the crisis. Beijing has seized the opportunity to offer these states attractive deals in the form

⁶¹ MARINEAU 2021.

⁶² United States Energy Information Administration 2023.

⁶³ KEATING–GERDES 2021.

⁶⁴ PALTÍ-GUZMAN et al. 2023.

⁶⁵ HORNÁT 2020.

of investments and affordable loans.⁶⁶ While Chinese direct investment in Europe was just under \$1 billion in 2008, by 2017, in less than a decade, it had swelled to \$318 billion across Europe.⁶⁷ From the U.S. perspective, the process is part of China's grand strategy to increase its influence in the region. To facilitate the latter, the so-called 17+1 Cooperation⁶⁸ was established in 2012 on the initiative of China, with its secretariat being directly under the control of the Chinese Ministry of Foreign Affairs, which is also responsible for coordinating relations with the States Parties.⁶⁹ In fact, the main purpose of this cooperation for Beijing was to facilitate the implementation of the ambitious *Belt and Road Initiative (BRI)* that it had planned. Under this initiative, Beijing (taking advantage of investment niches characteristic of the region) has prioritised the development of transport, logistics, telecommunications and other trade infrastructure from the Balkans to the Baltic.⁷⁰

In recent years, the BRI has gradually expanded its potential areas of cooperation: in addition to transportation, communication and financial networks, it is now also negotiating medical, urban planning, environmental and youth policy issues.

It should be noted that in many of the projects, implementation has slowed down compared to what the East-Central European countries would have expected.⁷¹ In total, \$2.4 billion worth of investments have been put

⁶⁶ MITCHELL 2020.

⁶⁷ MITCHELL 2018b.

⁶⁸ Cooperation between China and the Central and Eastern European countries, also known as the 16+1 institutionalised cooperation between China, Greece, Albania, Bosnia and Herzegovina, Northern Macedonia, Montenegro, Serbia, Croatia, Slovenia, Hungary, Slovakia, the Czech Republic, Bulgaria, Romania, Estonia, Lithuania and Latvia. Greece joined the cooperation in 2019, so the quasi-organised format was also referred to as 17+1 cooperation until 2021. However, in 2021, Lithuania announced its withdrawal from the cooperation, followed by Estonia and Latvia in 2022, therefore it is now considered a 14+1 cooperation.

⁶⁹ CHAUHAN 2021.

⁷⁰ MITCHELL 2020.

⁷¹ CHAUHAN 2021.

at risk by the coronavirus epidemic.⁷² Although Chinese FDI (foreign direct investment) across Europe fell significantly in 2020 (to around EUR 6.5 billion compared to EUR 11.7 billion in the previous year), the share of greenfield investment in Europe has not been this high since 2016 (when China was the largest investor in Europe, with around EUR 44.5 billion).⁷³ The failure to implement planned projects has increased the skepticism of the 17+1 states towards Beijing. The majority of the 17+1 States Parties have expressed this by abstaining from the 2020 BRI online conference. Nevertheless, the cooperation of the East-Central European states with the People's Republic of China tends to be described by both the European Union and the United States as a sell-out to Beijing, even though the share of Chinese direct investment in this region is much lower than in Western Europe. In recent years, more than half of Chinese investment has been implemented in Germany, the U.K. and France. Thus, Chinese influence is in fact affecting the whole of the European Union, some of whose member states are divided over their involvement in the American containment of Beijing's expansion,⁷⁴ and while East-Central Europe is receiving more attention on this matter, there is no specific strategy for this region.

To counteract the 17+1 cooperation, Washington has belatedly and to a lesser extent than Beijing tried to offer an alternative with the *Blue Dot Network* (BDN) in the field of infrastructure development. The BDN was launched in 2019 by the United States, Japan and Australia, essentially to counterbalance the Chinese BRI initiative, but its scale was not nearly as large as the Chinese effort, and East-Central Europe was again, also in this case, only a secondary consideration.⁷⁵ Washington wanted to present the BDN to the G7 in 2020 as a global initiative that is transparent for investors and guarantees high standards of technical implementation and environmental protection and occupational safety. Since the G7 summit was cancelled and there was no agreement between the Trump Administration and its European partners on the issue of environmental protection right from the start, the

⁷² Business Standard 2021.

⁷³ KRATZ et al. 2021.

⁷⁴ HUNTER 2021: 36.

⁷⁵ KUO 2020.

BDN could not win the official support of the G7.⁷⁶ However, the Biden Administration's increased focus on infrastructure development and its climate policy, which is closer to that of Europe, has given the U.S. initiative a new impetus. As an international projection of the domestic *Build Back Better* concept, the Biden Administration launched the *Build Back Better World* (B3W) *Partnership* in 2021 to support infrastructure development in low- and middle-income countries, focusing on climate, health and biosecurity, digital technology and gender equality.⁷⁷ The question is whether the East-Central European states will fall into this income bracket in Washington's view, and how receptive individual governments will be to different development areas and policies.

The Three Seas Initiative could offer a direct U.S. entry point for infrastructure development in East-Central Europe. The latter was set up in response to geopolitical pressures in the region, at the initiative of Poland and Croatia, but it is intended to provide a framework for 10 other Central and Eastern European countries (Austria, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia and Slovenia) to promote critical infrastructure projects. Accordingly, the main focus of the Three Seas Initiative was on energy, transport infrastructure and digital development, however, at the start of the initiative, the participating countries had quite different ideas about how it should work. While Budapest, Prague and Bratislava saw it more as an informal cooperation, Warsaw, Zagreb and Bucharest were ready to implement it in a much closer form.⁷⁸ Washington has pledged \$300 million in funding for the initiative under the Trump Administration, but this is still far less than what is needed: the IMF estimates that connecting the East-Central European infrastructure networks to the Western European systems will require nearly \$600 billion. Since the Three Seas Initiative calls for practical investments to counter both Chinese and Russian influence, the Biden Administration has also backed it, at least in words (President Biden and Secretary of State Antony Blinken attended the initiative's July 2021 summit

⁷⁶ ARHA 2021.

⁷⁷ The White House 2021b.

⁷⁸ STEPPER-KOZMA 2020: 27.

in Bulgaria, online and via a pre-recorded video message).⁷⁹ The Three Seas Initiative also enjoys congressional support: in February 2021, a group of Democrats and Republicans asked the Biden Administration to confirm the Trump Administration's pledge of \$300 million.⁸⁰ Nevertheless, the dilemma of the Biden Administration here too stems from the American demand for European unity: in a video message in July, President Biden noted that the initiative could bring member states closer to the European institutions, echoing German President Frank-Walter Steinmeier's hope that the initiative could in time become a value-based part of the EU's toolbox. Although this possibility is not excluded, the initiative itself is not intended to promote the political or ideological integration of East-Central Europe, but rather its economic (and infrastructural) integration.⁸¹ Thus, for the Three Seas Initiative, not only Washington's willingness to act, but also its conceptual approach will be an important factor in the future.

CONCLUSION

Russia's invasion of Ukraine in 2022 was a key factor in the increased presence of the United States in East-Central Europe. With over 100,000 U.S. troops stationed in Europe, the U.S. is now more present than it has been in almost 20 years. Additionally, the amount of U.S. attention and presence in East-Central Europe is unmatched since the conclusion of the Cold War. In addition to the increased military preparedness and redeployment, the war has also highlighted that the military dimension of security remains of paramount importance in the 21st century and is a driver for military technology and military force development, especially on the periphery of geopolitically competing powers. Meanwhile, the Russian–Ukrainian war has also put European states on a forced economic course. The acquisition of alternative energy sources and routes has become a strategic priority to

⁷⁹ VOLKER 2021.

⁸⁰ GARDING–MIX 2021.

⁸¹ BAULT 2021.

avoid dependence on Russian energy sources, and this offers Washington a favourable market opportunity in Europe and in our region.

Nevertheless, the economic impact of the war and the nature of the Western sanctions regimes made in response to the invasion suggest that Europe's eastern periphery is once again the site of a geopolitical conflict of global significance. The United States, with its commitment to military security in East-Central Europe, has returned to the logic of American geopolitical theory, that is to prevent the rise of a power hostile to Washington (Moscow), to be achieved through a long-term strategy (both military and economic, based on attrition). Nevertheless, there is no specific U.S. strategy focused on East-Central Europe; therefore, it is the countries that are of particular importance in the Russian context that will continue to receive special attention from Washington. As the Russian–Ukrainian war progresses, the geopolitical map of our region and its U.S. relations are likely to evolve along the latter aspect.

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CHINA'S IMPACT ON CENTRAL EUROPE AND HUNGARY

Looking at the map of our region, one might get the impression that the countries of Central Europe have been crushed into smaller and smaller pieces by the gravitational tug exerted by the surrounding empires over the centuries. After the calm and stability of the past decades, China has emerged as a new, distant yet powerful power in the region, challenging the status quo in economic and non-traditional security policy areas.

The 16+1 Cooperation, established in 2011–2012, aimed to develop closer political and economic ties between the People's Republic of China (PRC) and sixteen countries in Central and Eastern Europe (CEE). Despite – or perhaps because of – its initial success, the initiative quickly came under fire from critics. Concern was expressed in Western European Member States, in the EU institutions in Brussels and finally in the United States, fearing that China had won the political sympathy of the countries of the region in exchange for economic benefits and that Beijing had consequently established a strong influence in the region that threatens the cohesion of the EU, or at least the integrity of its common policy towards China. However, the decade-long cooperation has begun to weaken in recent months, which has challenged these concerns by highlighting that Beijing's presence in the region is not nearly as strong as many had thought, and that the PRC has failed to develop structural dependencies in the CEE region. Several countries expressed deep disappointment at the lack of tangible economic results, and Lithuania announced its withdrawal from the cooperation framework at the beginning of 2021, which resulted in an existential crisis for the 16+1 cooperation. Meanwhile, U.S. attention also returned to the region, as the Trump Administration's policy of confrontation with China brought the CEE countries to a crossroads on certain issues of strategic importance.

The aim of this paper is to examine the reasons underlying China's emergence in eleven EU Member States of the region (CEE-11), how it has changed the foreign policy and foreign economic room for manoeuvre of the states concerned, and finally, to what extent these effects are proving to be lasting.

THE EVOLUTION OF 16+1

The Central and Eastern European (CEE) region has clearly never played a particularly important role in China's foreign policy. The total population of the CEE countries is equal to that of a major province in the PRC, and their combined economic output is a fraction of China's gross domestic product (GDP). At the same time, the membership or candidacy of these countries to the European Union (EU) and the economic potential of the region have led Beijing to take a renewed interest in the region over the past decade. Following their successful integration into the Euro-Atlantic alliance system, most of the CEE countries also turned their attention to the huge Chinese market, which offered many potential economic and business opportunities, while the global financial crisis and the difficulties of the European Union gave a new impetus to bilateral relations with Beijing. After decades of mutual disinterest resulting from the Soviet–Chinese break-up and the subsequent regime changes in Central and Eastern Europe, China and the CEE countries began to move closer again in the mid-2000s. Hungary was one of the first countries to re-evaluate its China policy, and Prime Minister Péter Medgyessy visited China in August 2003, a few months after Hungary signed the Accession Treaty to join the EU. Other countries in the region have also followed Hungary's example, while the economic and political potential of the region also attracted China's attention. The global and European financial and economic crisis heightened mutual interest on both sides, as CEE countries had to find new sources of investment and trade opportunities amid the collapse of Western markets (EU goods

exports from the region fell by an average of 23% in 2009¹), while China saw an opportunity to take advantage of the window of opportunity created by the EU's weakness to gain a foothold in the Eastern Member States and the Western Balkans.

Despite the first Orbán Government's openly anti-China foreign policy, the second Orbán Government – already before it was formed – turned towards Beijing, after it had taken into account the realities of the changed global economic situation. Budapest played a leading role in the region in this field too, and in March 2011 the Hungarian capital hosted the first “China–CEEC Economic and Trade Forum”, which was attended by a number of political leaders and businessmen from the region, as well as Chinese Premier Wen Jiabao² and the business delegation accompanying him. The meeting was such a success that Beijing decided to set up a mechanism for a regular summit between the Heads of Government of the 16 Central and Eastern European countries and the Premier of the State Council of the People's Republic of China, the first of which was held in Warsaw in 2012. This quasi-organisation, later known as 16+1, comprised eleven EU member states and five Western Balkan countries (Albania, Bulgaria, Bosnia and Herzegovina, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, [Northern] Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia), and was temporarily enlarged to seventeen members with the accession of Greece in 2019. (With Lithuania's departure announced in 2021, the organisation can de facto be called again 16+1.) It was mostly the global financial crisis of 2008–2009 and the subsequent Eurozone crisis that motivated CEE countries to build profitable economic and business links with the fast-growing Chinese market. Since some countries in the region were too small and economically irrelevant from a Chinese perspective, it was a logical step for Beijing to establish cooperation at the regional level. The combined size of the sixteen countries (more than 100 million

¹ UNCTAD 2011.

² In this paper, the official Chinese pinyin transliteration is used for Chinese names, conforming to international standards, except for the names already established in Hungarian.

inhabitants and a nominal GDP of \$1.4 trillion in 2012) was an attractive order of magnitude even for China. In this respect, the 16+1 cooperation can be seen as a program to reduce Beijing's transaction costs, allowing the Chinese Premier to meet with the leaders of 16 nations at the same time, and facilitating cooperation and coordination. In addition, China already had experience in developing similar regional cooperation schemes, having set up similar quasi-institutions in Africa and Southeast Asia in previous years.³ The political benefits for the CEE countries were also clear, because without the initiative, most of the region's prime ministers would have held bilateral talks with their Chinese counterparts at most once a decade – or perhaps never.

However, the cooperation has been the target of serious criticism from the very beginning. The EU and some Western Member States were concerned about increased Chinese activity in the eastern part of the integration and feared that Beijing might try to divide and conquer the EU through the 16+1. In recent years, the governments of the CEE countries have been accused by their Western partners and the EU institutions of trading off the EU's political cohesion for economic benefits from China. Though, these accusations are somewhat tempered by the fact that it is exactly the Western Member States that have the closest economic ties with China, and some of them – especially Angela Merkel's Germany – have often treated Beijing with kid gloves, even politically. Other frequent objections are that the lack of transparency and the semi-institutionalised form of the project serve Chinese interests, and that the 16+1 cooperation itself is a malicious Chinese attempt to divide and conquer Europe. Moreover, EU–China relations themselves have grown increasingly cold over the past decade, as Europe has become increasingly concerned about China's economic and political rise and Beijing has increasingly voiced its frustration over the criticism from the EU, while its own self-confidence has been steadily growing. The EU arms embargo on China, human rights related matters or China's market economy status are all difficult issues on the agenda, and the reception of the 16+1 in Europe has put further strain on relations.

³ JAKÓBOWSKI 2018: 659–673.

Some large European countries, such as France and Germany, have not taken a positive view of the growing Chinese influence and competition in the CEE region. Western criticisms were not only voiced in diplomatic or expert background talks, but also picked up by the press in the wake of major developments. In April 2018, *Handelsblatt* published an article on a report by EU ambassadors in Beijing that was strongly critical of China's Belt and Road Initiative (BRI), which was signed by everyone except the Hungarian ambassador. According to the article, countries such as Hungary and Greece, which both rely on Chinese investment, have already shown their vulnerability to Chinese pressure.⁴

In what follows, I would like to challenge this oversimplified discourse and point out that Chinese influence in the region is very limited and its source is not economic, as, contrary to all previous expectations, the Chinese economic presence in the CEE region remains insignificant. The cooperation opportunities offered by China do not represent an attractive economic alternative for EU Member States in the region.⁵ Moreover, the 16+1 has not helped the situation that most Central and Eastern European countries face the same problems and challenges in their China policy: a growing trade deficit, competition between these countries for Beijing's attention, EU and U.S. concerns, the rise of Chinese influence in the region and, above all, the painful lack of tangible results after a decade of cooperation.

ECONOMIC DEPENDENCIES – MYTHS AND REALITY

Initially, the cooperation promised bright economic prospects: the global and EU financial crisis left CEE countries looking for new investors and export markets, while China needed new investment opportunities and new markets due to its large financial and (construction) industrial overcapacity, and both sides were happy to strengthen mutual economic ties.

⁴ HEIDE et al. 2018.

⁵ KACZMARSKI-JAKÓBOWSKI 2017.

However, it is important to examine the extent to which the CEE-11 countries (i.e. the eleven EU Member States of the region that participate in the 16+1 initiative) actually need economic cooperation with China, especially compared to the Western Member States. First, economic growth in the CEE-11 countries outperformed the EU average between 2012 (i.e. the start of the 16+1 cooperation) and 2020, with average annual GDP growth of more than 2%, compared to just 0.6% in the EU as a whole.⁶ The region's macroeconomic stability has been based on strong net exports, relatively low inflation and unemployment, high inflows of foreign direct investment and around €150 billion from EU structural funds.

In addition, the CEE-11 countries have enjoyed significant trade surpluses in recent years, and exports to China have grown dynamically at an average annual rate of 7% since the formation of the 16+1.⁷ This may seem a welcome development, as one of the main arguments for cooperation with China was to strengthen exports from the region. However, despite the major trade announcements and events of recent years, China is still not among the most important partners of the countries in the region, with only 1.64% of the exports of the countries concerned going to the East Asian state on average, even in 2020. Even though CEE exports to China grew relatively rapidly, the weight of the Chinese market in CEE exports increased only slightly, as the CEE countries were trading more and more with all other regions as well – and this was also true for the EU as a whole. While in 2012 only 1.28% of the total exports of the countries surveyed went to China, this share increased to 1.64% in 2020 and hence remains negligible.⁸ Meanwhile, 3.26% of the total EU exports went to the People's Republic of China in 2012 and 4.34% in 2020. This means that China has always been and still is a much more important export destination for Western Member States than for the CEE region, and its importance in absolute and relative terms is much greater than for the EU participants in the 16+1 cooperation. It is also important to note that the CEE countries accounted for only 5.8% of EU

⁶ UNCTAD 2021b.

⁷ UNCTAD 2021a.

⁸ UNCTAD 2021a.

exports to China in 2020, up only 0.9 percentage points from 2012.⁹ Moreover, a very significant proportion of exports from the countries of the region to China (in some cases more than 90%, although unfortunately no precise figures are available) are in fact exports of products from large multinational companies, which calls into question the significance of the role of these CEE governments. The data suggest that, although strengthening exports to China was the main objective for the CEE countries, despite partial results, they failed to create a situation – or become so dependent on the Chinese market – that would justify the concerns mentioned earlier about Beijing's economic influence.

Another important economic factor, alongside exports, is the issue of foreign direct investment (FDI). The picture that emerges here is that the CEE countries have not been able to attract economically significant amounts of Chinese capital over the past decade. Although there are serious uncertainties in the literature about the stock and flow perspective of FDI, recent research shows that the stock of FDI from China in the 16+1 EU Member States, including Hungary, is far below the level of Western European countries. Chinese FDI is significantly higher in the five largest economies in Western Europe (Germany, the United Kingdom, France, Italy and Spain), and in relative terms, only two EU Member States – Hungary and Romania – have a slightly higher share of Chinese FDI in total FDI than the U.K., France or Germany. However, even in case of Hungary and Romania, only less than 4% of total FDI comes from China, even by the most generous estimates.¹⁰

Summarising the issue of economic relations, none of the countries in the CEE region is dependent on China, while Germany, the U.K. and France are more dependent on China for exports than any other CEE country, and the amount and often relative importance of Chinese capital invested there exceeds that of the level in the 16+1 EU Member States. The lack of significant economic achievements has triggered a wave of disappointment in many CEE countries in recent years, and China does not yet seem capable of strengthening its economic role in the region in the future. Even China's

⁹ UNCTAD 2021a.

¹⁰ MATURA 2021.

well-known admirers such as President Milos Zeman complained about China's failure to fulfil its previous promises.¹¹ The coronavirus crisis has further increased suspicions about China, and since the mid-2020, foreign policy analysts and Chinese experts alike have been reporting that China has lost the region.¹²

CHINA'S POLITICAL INFLUENCE – MORE SMOKE THAN FIRE

Although the strength of economic ties has fallen short of expectations, the allegations concerning cooperation between the PRC and the CEE region were not entirely unfounded, as some states in the region have repeatedly blocked the creation of a unified EU position in recent years in the hope of forging close ties with China. For example, in 2016, Hungary and Greece blocked the EU's joint declaration regarding the South China Sea,¹³ and Budapest openly supported the granting of the status of a market economy to China, which the EU opposed,¹⁴ and in 2017 the EU was unable to unanimously condemn Beijing over the arrest and alleged torture of human rights lawyers in China due to Hungary's objections. Czech President Milos Zeman was the only EU leader to attend the controversial military parade in Beijing to mark the anniversary of the end of World War II in 2015, while Western countries boycotted the event because of the nationalist overtones of the parade and China's increasingly ambitious foreign policy.¹⁵ Hungary twice blocked the EU's joint resolution on Hong Kong in 2021, which would have condemned China's national security law aimed at exerting tighter control over the city.¹⁶ At the same time, none of the main opposition political parties in the Visegrád countries is in favour of too close relations

¹¹ LAU 2020.

¹² BRÎNZĂ 2021.

¹³ BENNER–WEIDENFELD 2018.

¹⁴ BBJ 2016.

¹⁵ CHAN 2015.

¹⁶ CHALMERS–EMMOTT 2021.

with China; the preference for closer relations was mostly supported by the parties currently in government, or a particular political leader, such as Czech President Miloš Zeman, Hungarian Prime Minister Viktor Orbán or Romanian Prime Minister Victor Ponta. However, this also means that Beijing does not enjoy organic cross-party support in the region, so when a particular pro-China politician falls out of power, it almost immediately brings with it the undermining of Beijing's position.¹⁷

The intellectual background of the current U.S. administration does not have a very flattering opinion of Hungary's China policy. According to a Carnegie Endowment report, the reason for Budapest's intention of deepening its ties with China is that Chinese financial resources could further support what they see as *state capture* processes in Hungary and the strengthening of Eurosceptic voices. In this way, according to the report, Hungary has become one of Beijing's main advocates in the EU, thereby earning Beijing's distinctive attention, which a small country of its size could not have achieved otherwise. To this end, according to the Carnegie experts, the Hungarian Government tries to avoid situations where it may be confronted to the PRC, and hence Budapest did not intervene in the case of Michael Kovrig, a Hungarian–Canadian dual citizen arrested in China, it does not follow U.S. requests for action against Huawei, and the pro-government media generally portrays a positive image of China and avoids reporting on issues such as the human rights situation. The U.S. experts also noted the presence of a strikingly high number of Chinese institutions in the country compared to the size of Hungary, which, according to their assessment, could serve to strengthen the East Asian country's soft power. Thus, for example, the China CEE Institute established by the Chinese Academy of Social Sciences in Budapest, the five domestic Confucius Institutes (which have been closed down in several places in the West because of their controversial activities), or the planned Budapest campus of Fudan University, all give the impression to the independent institution, which is close to the Democratic Party, that relations between Hungary and China have taken a worrying turn from the U.S. point of view.¹⁸

¹⁷ ŠIMALČÍK et al. 2019.

¹⁸ BRATTBERG et al. 2021.

The EU institutions themselves have also expressed the view that some of the CEE-11 countries have become more understanding of Beijing's foreign and domestic policies, and that the 16+1 allows the PRC to transform the states of the region into political allies, so that they can support China's interests at EU level. Moreover, according to European Parliament research, some CEE-11 countries have used their 16+1 membership to strengthen their negotiating position with the EU. As they put it: "The Hungarian government has no illusions about China, but is willing to tolerate Chinese influence in order to achieve certain political and economic benefits. Hungary's welcoming attitude has enabled China to make economic and political gains in Europe."¹⁹

THE QUESTION OF SOCIAL SUPPORT – THE CURSE OF UNPOPULARITY

The foreign policy latitude of a country is significantly determined by its domestic political situation and the public perception of its international partners. Thus, the way the populations of the CEE-11 countries perceive Beijing's role and thus support their own government's China policy is therefore also important.

Research in recent years has shown that the populations of the CEE-11 countries are mostly not supportive of their governments' enthusiastic rapprochement with China, which by now has had foreign and domestic policy consequences in many cases. According to a Eurobarometer survey made in 2017, 50% of Hungarian respondents, 48% of Poles and 44% of Slovaks had a negative view of China, while those with a positive view of China, including those with neutral views, were in a relative minority in all three countries. However, already back then, the Czech Republic was the country with the most anti-China public opinion in Europe, with 69% of respondents having a negative attitude towards China, compared to just 25%

¹⁹ GRIEGER 2018.

positive.²⁰ A large international poll conducted in the second half of 2020 came to a similar conclusion. Despite a decade of political and economic cooperation between the countries of the region and Beijing, the image of China remains negative. The Czech population has the most unfavourable overall view of China, because, as an after-effect of the policies of the late Václav Havel, opposition to communism and authoritarian regimes is part of national identity; that is why half of the population has a negative view of the East Asian state. It is surprising that Hungary is the second most anti-China society among the Visegrád countries, despite the pro-China policy of the Budapest Government over the past decade and the positive image of Sino–Hungarian relations conveyed by state communication. In addition, the above mentioned survey was conducted before the domestic developments related to Chinese vaccines and the Fudan University, so it can be assumed that the perception of China in the eyes of Hungarians has further deteriorated in the past year. The picture is slightly more nuanced in Poland and Slovakia, as both countries have a lower proportion of people with negative feelings towards China, but still only a very modest number of people trust Beijing. In case of Poland, this is explained by their distrust of Russia, which is, in turn, linked to China; meaning that although Poles are less averse to China itself, they have little confidence in Beijing because of the closeness of Russian–Chinese relations. In Slovakia, on the other hand, the opposite is true, as those who have a better opinion of Russia also have a better opinion of China, so Russian results have also pulled China's image up. The situation outlined above has of course been significantly worsened by the outbreak of the war in Ukraine and the Chinese foreign policy attitude of supporting – even if only tacitly – Russian aggression. In most countries in the CEE region, public opinion and thus political attitudes have taken a strong negative turn towards China. In particular, the Baltic states, Poland and the Czech Republic have made a spectacular turnaround in foreign policy, and in the year since the outbreak of the war have sought to distance themselves from China. For the three Baltic

²⁰ European Commission 2017.

countries, this meant withdrawing from the China–CEEC cooperation, which as a result is now limited to only 14 countries, although it is expected to be further reduced in 2023 due to the Czech Republic’s departure.²¹

THE ROOM FOR MANOEUVRE FOR
HUNGARY AND THE CEE-11 COUNTRIES
BETWEEN CHINA AND THE WEST

Despite the above facts and figures, it is undeniable that China’s influence has increased in some CEE-11 countries over the past decade. One of the most obvious examples is Hungary, as the current government has on several occasions taken a clear stand with Beijing on certain contentious international issues. Due to Budapest’s opposition, the EU’s joint declaration on human rights could only be presented in a much more restrained form, Hungary was the first EU country to join the controversial BRI project, the government signed memoranda of understanding with China, in contravention of the EU’s expressed wishes, and even supported China’s position on the South China Sea, as described above.²² At the same time, it would be a mistake to attribute this to Beijing’s proactive influence, as it seems – although this is naturally difficult to research – that Budapest is making gestures towards China more out of “self-interest” or as a result of the broader context of the government’s foreign policy, in other words it is not the Chinese side that is asking the Hungarian Government to take these steps. In fact, in personal conversations with Chinese academics and foreign policy experts, it has been a recurring theme for years that while Beijing understands and welcomes these friendly moves by Hungary, they often embarrass the Chinese Government itself, fearing that they reflect badly on China’s cooperation with the CEE region and could serve as evidence to the EU and the U.S. that Beijing is seeking to divide European integration. It is also important to point out that the CEE-11 countries – and Hungary

²¹ MATURA–SZUNOMÁR 2023: 160–180.

²² BENNER et al. 2018.

in particular – allow themselves to make gestures towards China almost exclusively in the political sphere, while on economic issues of importance to the EU, and especially to Germany, they tend to support the Community position. In other words, a kind of double game is played here, where the leaders of the CEE-11 countries are willing to take steps in favour of Beijing on issues that are perceived as less important (human rights, Hong Kong, Xinjiang, South China Sea, etc.), but they do not risk undermining the EU's common position on economic and financial disputes that are important for the EU's main actors. This is logical because for most countries in the region, Germany, not China, remains the most important economic partner, and a significant part of economic relations with the PRC are also conducted through German companies (see Hungarian automotive exports), so what is in Berlin's interest vis-à-vis China is also important for the CEE-11 countries.

In the context of the foreign policy room for manoeuvre of the CEE-11 countries, it is worth examining what steps the states of the region could afford to take on issues that have become important to the United States in recent years. One of the most important cases in this area is the U.S. action against China's 5G technology and the Chinese company Huawei itself, which has put the CEE-11 countries at a crossroads. The 'Clean Network' program, an initiative launched by the Trump Administration, is officially described as a program to protect the private and sensitive data of U.S. companies and citizens from "interference by malicious actors such as the Chinese Communist Party".²³ It says a lot about the situation of the CEE-11 countries that the then U.S. Secretary of State Mike Pompeo visited several capitals in the region in 2019 and 2020, after which most countries joined the initiative and refused to allow Chinese companies to participate in the creation of national 5G infrastructure. The Secretary of State toured the region in February 2019, visiting Budapest, Bratislava and Warsaw, and in August 2020, Prague, Ljubljana, Vienna and Warsaw, which largely delivered the results Washington had hoped for. According to U.S. analyses, it is precisely because of the growing Chinese – and Russian – pressure that the United States found it important to pay more attention to its Central European

²³ U.S. Department of State 2017–2021.

partners, which were perceived to be vulnerable.²⁴ In May 2019, more than 30 countries, EU and NATO representatives and industry players gathered in the Czech Republic to discuss the issue at the 5G Security Conference in Prague.²⁵ During his 2020 visit, Pompeo discussed with his Central European partners issues aimed at reducing China's role in the region. Thus, in Prague, the Three Seas Initiative was discussed as a potential competitor to the 16+1 itself, a joint statement was issued with the Slovenian Foreign Minister on 5G technology, in which the Slovenian side essentially agreed to exclude Chinese companies and joined the Clean Network program (similar agreements were signed by the U.S. with Poland, Estonia and the Czech Republic). Also in Warsaw, the security of 5G networks and the Three Seas Initiative were among the main topics of discussion.²⁶

The return of U.S. attention to the region paid off, as all but one of the CEE-11 countries signed agreements with Washington to join the Clean Network program and/or to establish regulations to exclude untrustworthy (i.e. Chinese) suppliers from the deployment of 5G networks.²⁷ Hungary was the only one that did not give in to U.S. pressure. Though Mike Pompeo, on a visit to Budapest, said that it could make U.S.–Hungarian cooperation more difficult if the Hungarian Government allowed the use of Huawei's devices. The Hungarian side, however, dismissed the U.S. warnings as being based on double standards and even hypocrisy, as the real users of Chinese devices in Hungary are in fact foreign – British and German – owned telecom companies.²⁸ The Hungarian Government's determination on this issue is clearly demonstrated by the fact that it not only allowed the Chinese company to participate in state telecommunications systems (such as the 112 emergency call system), but also did not join the Clean Network program, ignoring U.S. concerns. In fact, a year and a half after the U.S. Secretary of State's visit to Budapest – and two months after his second tour of Central Europe – the Huawei Research and Development Centre opened in Budapest

²⁴ BRATTBERG 2019.

²⁵ KAHN–LOPATKA 2019.

²⁶ CHING 2020.

²⁷ Radio Free Europe 2020.

²⁸ Euronews 2019.

in October 2020. The U.S. Embassy in Budapest reacted to the development in a statement, in which they wrote, among other things: “More and more countries around the world are recognizing that companies based in the People’s Republic of China are obliged to cooperate with the security services. These countries are taking steps to protect their citizens and their national security. We hope that all US allies will join the program.”²⁹

Although much more cautiously than on the 5G issue, but there is also a shift in the domestic politics of several Central European countries in relation to Taiwan. Whereas in the past the relativisation or questioning of the “One China” policy could not even be raised at state or even municipal level, the past year has seen several developments that have started to challenge one of the PRC’s most fundamental national interests, the sovereignty Beijing claims over Taiwan. Already during the first wave of the coronavirus epidemic, the CEE countries, such as Lithuania, Poland, the Czech Republic and Slovakia, were the only ones in the EU to donate vaccines to Taiwan.³⁰ At the end of 2019, the mayor of Prague cancelled the twin town arrangement with Beijing because it included the Czech commitment to the ‘One China’ principle, and in January 2020, he called the PRC an unreliable partner and announced that the Czech capital would sign a twin town arrangement with Taipei.³¹ In addition, the President of the Czech Senate, one of the country’s top public dignitaries, paid an official visit to Taipei in September 2020 and concluded his speech in the Taiwanese Parliament with the phrase “I am Taiwanese”, echoing President Kennedy’s famous Berlin speech.³² Lithuania followed suit, announcing in July 2021 that it would open reciprocal representative offices with Taiwan in each other’s capitals, and that the branch in Vilnius would be the first in Europe to use the Taiwan name. This is a significant departure from the previous practice of calling these offices the Taipei Trade Bureau. This comes at a remarkable coincidence with a bipartisan proposal submitted to the House of Representatives in Washington in May to allow U.S.-based offices

²⁹ BUZNA 2020.

³⁰ HILLE–MILNE 2021.

³¹ France 24 2020.

³² Reuters 2020.

to use the word Taiwan in their names. The Lithuanian moves had not gone unanswered, as for the first time since the creation of the EU, China called for the departure of the Baltic ambassador to Beijing.³³

All in all, it seems that China's presence in the region has given the CEE-11 countries the opportunity to increase their foreign economic and, to some extent, foreign policy room for manoeuvre within the European Union, but this effect has not been long-lasting for most of the states in question. The room for foreign economic manoeuvre has largely disappeared due to the insufficient development of trade and investment relations with China, so the CEE-11 countries have also turned back politically towards the EU. A good example of this is that even in the midst of the coronavirus crisis, all Central European countries except Hungary were committed to EU cooperation, including not buying Chinese vaccines. Meanwhile, the foreign policy room for manoeuvre of these countries vis-à-vis the United States did not increase, but quite the opposite: Washington's attention was again drawn to the region because of Beijing's activities in the region, and U.S. foreign policy quickly rebuked most of its Central European allies. The only exception is again Hungary, which remains committed to its policy towards China, both vis-à-vis the EU and the United States. The question is whether this is a real or perceived room for manoeuvre. Budapest's behaviour may be influenced firstly by the outcome of the German elections on the European side, and secondly by stronger action on the U.S. side, although it is clear that the Hungarian Government considers Washington's ability to influence to be limited. However, this may change in the near future, as the Biden Administration continues its predecessor's policy of trying to regulate China, and is also committed to democratic principles, so in many ways it may have good reasons to increase pressure on the Hungarian Government. One of the recommendations of the Carnegie Endowment's study on Chinese influence is precisely that Washington and Brussels should take joint action against the Orbán Government, including the possible use of sanctions mechanisms against officials and businessmen involved in

³³ HIOE 2021.

local corruption cases related to China.³⁴ If the U.S. ideas are translated into action and meet the ambitions of the new German Government's possibly changing policy towards China (which is an increasingly tangible reality, partly due to the Russian aggression against Ukraine), this could lead to a rapid narrowing of Budapest's foreign policy room for manoeuvre, not only with regard to China.

SUMMARY

So the question arises: what motivated some CEE countries to move closer to Beijing if the results of economic relations were far below expectations? One possible explanation is the personal political ambitions of some political leaders in the region. Most Czech experts see President Miloš Zeman as the main initiator of the country's pro-China policy. In Hungary, Prime Minister Viktor Orbán apparently sees strong Sino–Hungarian relations as a means of strengthening his bargaining position with the EU, and China is also the world's largest illiberal state. In Romania, Prime Minister Victor Ponta was the main advocate of close ties with China, but after his resignation, Bucharest visibly took a back seat within the 16+1 initiative, and then over time began to move closer to the West and the United States. Similar processes were taking place in Warsaw, as the rapprochement initiated by Donald Tusk was handled more cautiously by the next Polish Government, and since 2017 Polish–Chinese relations have taken a less friendly turn, which confirms the assumption that certain political leaders and their interests have played an important role in the development of China–CEE cooperation. However, this also means that China's political influence in the region is not structural, but rather tied to individual Central European political leaders, and could quickly fade away when the domestic political winds change in the given country.

³⁴ BRATTBERG et al. 2021.

Another important conclusion is that China and its regional partners have made serious mistakes over the past decade. Through their communications, Beijing and the governments of Central and Eastern Europe have raised expectations that they have ultimately been unable or unwilling to meet. To consolidate its soft power, China adopted a top-down approach, targeting the social elite of the region rather than appealing to the wider population, which, given today's growing populism and the influence of the mass media, would probably have been more effective than vainly appealing to an elite already suspicious of the communist superpower. While Beijing had hoped that the similar historical experiences of the two sides would help deepen relations, in reality this has proved to be more of an obstacle, as societies in the region have a strong antipathy towards one-party communist regimes, precisely because of the negative events of their own past.

Moreover, China does not play a geopolitical role in Europe, so the CEECs must continue to rely on the European Union and the United States of America for security, which makes Beijing a political partner of secondary importance. Thus, neither civil society, nor political parties, nor the media support the pro-China policies of their countries, and after the hoped-for economic benefits have turned out to be a mirage, most of the countries of Central and Eastern Europe are returning to where they have always belonged, to the West.

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Tamás Baranyi

EASTERN OR WESTERN ORIENTATION?
CENTRAL EUROPEAN HUNGARY
IN THE ATTRACTION OF THE GREAT POWERS

INTRODUCTION

In modern history, the Central European region was geographically situated between the dominant Eastern and Western powers: with the strengthening of Russia in the 18th century and its turn towards Europe from the east, and with the Habsburg Empire and the rising Prussia and the German Empire from the west, the Central European region was always bordered by much stronger political entities. However, on other occasions, in other historical-political contexts, this region had also been able to become a centre of great power: see for example the medieval Kingdom of Hungary, the Polish–Lithuanian Union or the Austro–Hungarian Empire. In the 20th century, however, the “geopolitical buffer zone” character of the region had become even more prominent, which in turn fundamentally defined the national consciousness of the states located in the region.¹

The region was essentially a buffer zone during the world wars, but this position was for a time lost after 1945, and the region seemed to be permanently getting incorporated into the “Eastern Empire”, in other words into the sphere of interest of the Soviet Union. The disappearance or at least the transformation of the frontier character was not only a scientific abstraction, but it also indicated that the very idea of Central Europe was pushed into the background in Hungarian public life, and was replaced

¹ NAGY 2014: 29–38.

in almost every respect by the designation of Eastern Europe or “socialist countries”. Although the idea of Central Europe had already seeped back, first into academia and then into public life, in the 1980s, the real turning point came with the 1989 regime change, which increased the importance of the associations between the states of the region and made the need for Western integration clear. Central European countries, each having different geopolitical visions, were first united in the Visegrád Association, then became members of NATO in 1999 and the EU in 2004. The integration into Western structures had for a time essentially suspended the frontier character of the region, which had been its feature for the previous hundred years, pushing the borders of Western integration hundreds of kilometres eastwards.²

It is precisely the embeddedness of the Central European countries in Western integration and the improved geopolitical environment that this has ensured that makes it necessary to interpret the changes of the past decade and the relationship of the region and Hungary to Western integration. The Visegrád Cooperation, and even more so the governments of the V4 countries, are coming under increasing criticism for their perceived or real anti-Westernism or critical attitude towards the West. Some even consider the V4 to be a toxic brand because of its critical overtones towards the European Union.³ There is also an emerging literature on the half-hearted role of Central European countries in Western integration.⁴ However, all this is a complex and too well known topic for the scope of this paper, which will attempt to interpret the reasons for the region’s truly half-hearted attachment to Western integration by using Hungary as an example, and to assess the place of the individual centres of power, primarily the United States, Russia, China and Germany, in Hungary’s foreign relations.

² BARTHA 2019, 256–265.

³ BAGOLY 2021.

⁴ KRASTEV–HOLMES 2020.

BASIC PRINCIPLES OF HUNGARIAN
FOREIGN POLICY AFTER 2010

When talking about the foreign policy of Central European countries – or Hungary in particular – in the daily political communication discourse, we usually start with the domestic political determinants rather than the international environment, although the latter of course essentially determines the possible directions of foreign policy. In the international environment, there are two major trends that have, in a sense, transformed the foreign policies of most countries. Part of the first trend is the relative decline in the power of the United States and its retreat from the world, which was significantly accelerated by the 2008–2009 global financial crisis and the disputes over crisis management among Western allies. The first trend is therefore not only the retreat of the hegemonic power, but also the decline in the unity of the Western countries. The other major trend is, of course, the rise of Asia, which has resulted not only in the increased economic and political power of China, but also in the rise of several other Asian players.⁵ This environment has therefore brought about a much more equal distribution of power and wealth across space, in which the North–South divide is less and less a political reality.⁶ The retreat of the hegemonic power, a certain degree of multi-polarisation, creates an international environment in which the capacity of individual countries to act is increased, and this, in turn, reduces the political and economic costs for the middle powers of disrupting the status quo.⁷ In this less predictable environment, the need for smaller states to diversify their sources of security and prosperity inevitably increases.

Some of the basic principles of Hungarian foreign policy are clearly set out in key strategic documents. According to the National Security Strategy, our most important value is sovereignty: “A strong Hungary based on national foundations represents the guarantee of the survival of Hungary, the framework of our national existence. [...] Our national sovereignty is an unquestionable fundamental value that is naturally present in both the

⁵ UGRÓSDY 2021: 943–945.

⁶ WADE 2011: 347–378.

⁷ NÉMETH 2019.

foreign and domestic policies of our country. Our primary security policy interest is to protect, preserve and strengthen the self-determination and freedom of action of the Hungarian state in the constantly changing circumstances.”⁸ The text clearly indicates that, contrary to previous perceptions, Hungary must adapt to an ever-changing international environment. The same document lists the priority security risks to our country as follows:

- ♦ illegal migration
- ♦ unexpected armed attack
- ♦ coordinated, large-scale, diplomatic, information and intelligence operations to destabilise Hungary
- ♦ a cyberattack that causes significant damage
- ♦ an act of terrorism
- ♦ efforts to infringe national sovereignty, to take away national powers, whether overtly or covertly
- ♦ permanent population decline
- ♦ a national economic crisis or a prolonged global trade slowdown
- ♦ a disruption in energy supply
- ♦ the emergence of serious and lasting instability (failed state) in the region
- ♦ groundbreaking technology falling into unauthorised hands
- ♦ organised crime
- ♦ attack with weapons of mass destruction in the region
- ♦ industrial accidents with a regional impact in the region
- ♦ epidemics causing mass and severe disease
- ♦ natural disasters
- ♦ climate change⁹

As can be seen, Hungary does not identify specific states among the security threats, but several different security threats can be associated with different states. The document identifies not only threats that pose an existential threat

⁸ Government Resolution 1163/2020 (IV. 21.) on Hungary’s National Security Strategy [hereinafter: NBS]. Articles 8–9.

⁹ NBS 2020: 124: a–q.

to Hungary, but also those that could permanently or significantly limit the country's sovereignty and room for manoeuvre, in line with the objectives set out earlier. The long-term guarantee of these values is, however, the North Atlantic Treaty Organization, which is the "cornerstone" of our security and which, together with the European Union, is seen as "the community of values of Western civilization".¹⁰ The National Security Strategy also describes the tense international situation between Russia and NATO, and states that Hungary is interested in risk reducing and confidence building measures, as well as the pragmatic development of Hungarian–Russian economic relations, but that it gives priority to preserving the cohesion of NATO and the EU.¹¹ It describes China as an increasingly important player in the international system, whose "military and security ambitions must be monitored in the long term". In terms of developing Hungarian–Chinese relations, the document highlights the benefits of joining the Belt and Road Initiative, but also mentions that the infrastructure investments will result in increased exposure of the critical infrastructure.¹² The document summarising Hungary's National Security Strategy thus favours pragmatic cooperation with both China and Russia, while also mentioning the risks involved.

This is in line with the perception of the Hungarian population and the Hungarian security community. Both the public and the security community clearly see the United States as Hungary's main partner, followed by Germany and the Visegrád countries. In terms of security threats, the dominant threats are not essentially those from other states, but rather non-state threats such as migration, terrorism or climate change and its consequences. Of the threats that come specifically from states, members of the security community highlight three countries that may pose a degree of security threat in certain contexts: Russia, Ukraine and China.¹³ Public perception is similar to that of the security community, according to another survey. This survey also found that the United States and Germany are our

¹⁰ NBS 2020: 14–17.

¹¹ NBS 2020: 118.

¹² NBS 2020: 119.

¹³ ETL 2020: 1–11.

most important partners, and the two countries that the public believes are doing the most to maintain international peace and security. It is also true that the public perceives that Germany's international strength has weakened in recent years. In addition, a significant difference is that while 40% of the pro-government respondents considered the directions of Hungarian foreign policy to be balanced, only 27% of opposition voters had the same opinion. 39% of the latter consider Hungarian foreign policy pro-Russian and 12% pro-China.¹⁴

It follows from this that, fundamentally, the Western orientation is the cornerstone of the country's foreign policy, which in a highly institutionalised form – through membership in the European Union and NATO – essentially determines the place of Hungary in the international arena. The Western orientation cannot be refuted either on the basis of strategic documents or on the basis of the perception of the security community or of one of Europe's most consistently pro-Western populations. It is clear, however, that the high degree of domestic polarisation also affects the perception of foreign policy, leading to a significant divergence in the perception of foreign policy orientation. To examine the perceived or real tendencies departing from the Western orientation, it is therefore necessary to look primarily at the field of foreign (economic) and political communication.

INTERNATIONAL ECONOMIC POWER CENTRES AND HUNGARY

This chapter shows the extent to which the Hungarian economy has been integrated into the Western economy, and in particular into the economy of the European Union, since its accession to the EU in 2003. We shall look at traditional indicators, such as the country's main trade and foreign direct investment partners.

¹⁴ SZABÓ 2021: 44–62.

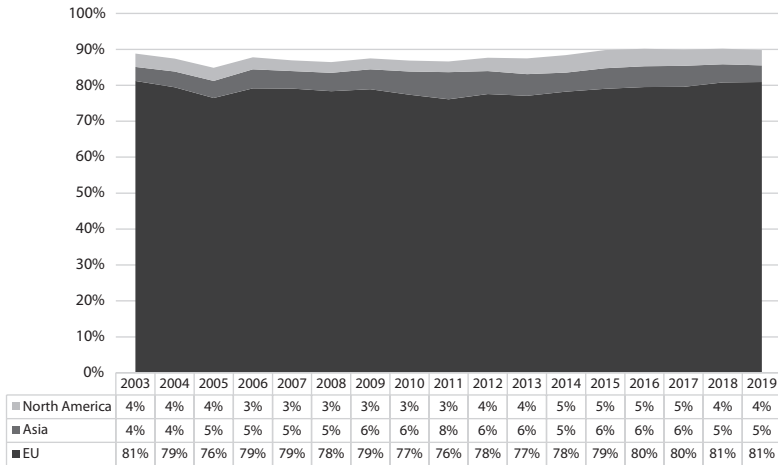


Figure 1: Hungary's main export partners by region

Source: Hungarian Central Statistical Office 2021

Hungary is one of the most open economies in the world, with a trade turnover significantly higher than its gross national product. *Figure 1* shows that Hungary's dominant export partner is the European Union. Since Hungary joined the European Union, the EU's share has been in the 76–81% range, dwarfing the other regions. In 2019, the EU's share of exports was 81% (*Figure 1*).

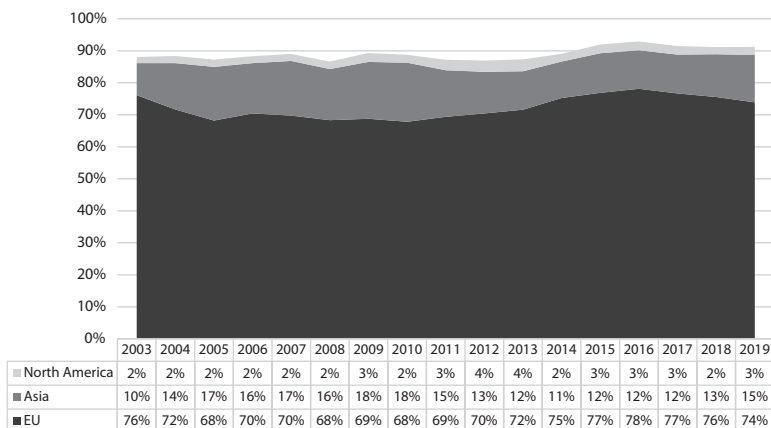
It is noteworthy that in 2019, all of our top ten export destinations were EU Member States, with Germany standing out with a high share of 28% of the total turnover (*Figure 2*). Such a high share of the German export market shows a high degree of trade dependence. Other important export markets for Hungary outside the EU are the USA (2.8%), Ukraine (2%), Russia (1.7%), Turkey (1.6%), Serbia (1.5%) and China (1.4%).

Table 1: Top ten export destinations for the Hungarian economy in 2019

Rank	Country	Value of export million EUR	Share %
1	Germany	30,214	27.7
2	Slovakia	5,724	5.2
3	Italy	5,601	5.1
4	Romania	5,516	5.1
5	Austria	5,040	4.6
6	France	4,716	4.3
7	Czech Republic	4,677.3	4.3
8	Poland	4,621.4	4.2
9	Netherlands	3,786	3.5
10	United Kingdom	3,594	3.3

Source: Hungarian Central Statistical Office 2020

Hungarian import statistics show that Hungary is deeply integrated into the EU economy in this respect as well. In 2019, the EU's share of product imports was 74%. Since Hungary's accession to the EU, the EU's share has been in the range of 68–78%, while other regions continue to be dwarfed (*Figure 2*).

*Figure 2: Hungary's main import partners by region*

Source: Hungarian Central Statistical Office 2021

Germany has been Hungary's most important import partner since the regime change. It typically accounts for about a quarter of total imports. China's share of imports has been slowly increasing over the past decade, in line with global economic trends; but its weight is still dwarfed by Germany. Out of non-European countries, the top ten import partners include Russia with 4.3% and the Republic of Korea with 3.6%. The share of the United States is only 2.7% (Table 2).

The other key indicator for examining Hungary's foreign economic orientation is the foreign direct investment. If we look at the breakdown of Hungarian FDI by country of final investor, we also find a dominance of European countries. The National Bank of Hungary has been publishing data on this from 2014 onwards, using a uniform methodology, which shows that the weight of Europe increased steadily between 2014 and 2019, reaching 70% in 2019 (*Figure 3*). Germany is the main source of FDI, accounting for 22.8% of total FDI in 2019. In parallel, there has been a decline in investments from North America and a dynamic increase in Asian investment. The main non-EU investors in 2019 were the U.S. (9.7%), the Republic of Korea (5.5%), Japan (3.9%), India (3.1%) and China (2.9%).

Table 2: Top ten importing countries for the Hungarian economy in 2019

Rank	Country	Value of export million EUR	Share %
1	Germany	23,334.2	22.3
2	China	11,512.5	11.0
3	Poland	4,564.7	4.4
4	Russia	4,468.8	4.3
5	Austria	4,375.8	4.2
6	Italy	3,917.1	3.7
7	Czech Republic	3,859.6	3.7
8	Republic of Korea	3,745.2	3.6
9	Slovakia	3,447.0	3.3
10	France	3,347.0	3.2

Source: Hungarian Central Statistical Office 2020

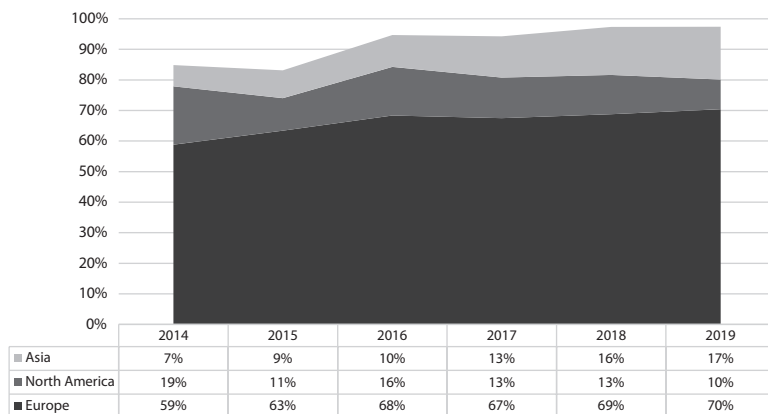


Figure 3: FDI in Hungary by region of final investor

Source: National Bank of Hungary 2021

Analysing the above data, the following conclusions can be drawn. Hungary is extremely dependent on the economy of the European Union. In addition to geographical proximity, the main explanation for this is that the Hungarian economy is linked to the world market through German value chains, primarily as a production base for the German manufacturing industry, which relies on a relatively low labour input.¹⁵ The semi-peripheral dependency of the Hungarian economy is shown by the fact that, despite EU accession in 2003, the Hungarian economy has not been able to catch up with Germany in terms of per capita income (*Figure 4*). In the light of the above, it can be concluded that despite its economic importance, EU membership alone has contributed little to Hungary's economic catching-up with developed countries, technical and structural modernisation and structural reforms.¹⁶

¹⁵ LENGYEL et al. 2019: 163–184.

¹⁶ LOSONCZ 2019: 21–33.

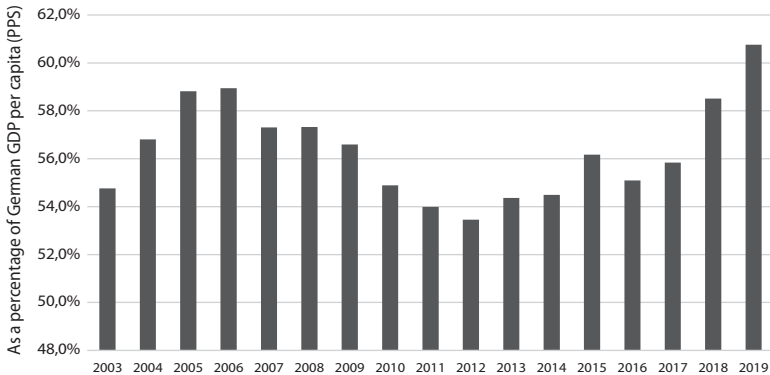


Figure 4: Hungary's per capita income as a percentage of German per capita income in purchasing power parity

Source: International Monetary Fund 2010

Against this background, it is not surprising that the Orbán Government, which came to power in 2010, has taken active steps to reduce dependence on external trade with the EU. In addition to the fact of dependency, the financial crisis of 2007–2008 played a key role in the decision behind the new policy orientation, because this crisis showed that the Hungarian economy was extremely vulnerable due to its extreme exposure. For the Orbán Government, this inevitably meant targeting Asian markets. Indeed, most Asian countries managed to avoid the financial crisis of 2007–2008, mainly because of the Chinese Government's economic policy aimed to stimulate demand. In addition, China became the world's second largest economy in 2010. This fact, combined with the growing international role of the BRICS group of emerging countries, reflected the increasingly multipolar nature of the post-Cold War international order characterised by U.S. and Western leadership. Moreover, Hungary was relatively late to recognise the changing international trends, unlike the leading European economies, in particular Germany, Hungary's most important economic partner. The policy of "Eastern Opening" was announced for the reasons mentioned above, in the framework of which the Hungarian Government consciously

improved its relations with Russia and Asian countries, above all with the strengthened China. This was not, of course, an abandonment of Western engagement, but a pragmatic step towards reducing European dependence, recognising the changes in the world.

Despite the apparent turn towards foreign policy diversification, only limited results were achieved in the two areas where the economic objectives were clearly articulated (reducing the dependence on Europe in Hungarian export ratios and the diversification of foreign investment), as the above figures show. The problem lies in the structural characteristics of the country's economy. Hungary's dual economic structure meant that there were very few globally competitive domestic companies, and therefore they were unable to enter the distant and culturally different Asian market. While foreign-owned Hungarian subsidiaries and their supplier networks are competitive, they access the global market through their own value chains, which the Hungarian Government has no control over and no meaningful information on how they operate. There has also been no significant breakthrough in foreign ownership investment. The growing weight of Asian players has been mainly in investments serving German value chains (e.g. production of car parts), with only a few really high value-added investments made in Hungary.¹⁷ All this meant that the Hungarian economy continued to be hit hard by its unilateral dependence on the European economy.

COHESION WITHIN THE ALLIANCE

The discrepancy described above, in other words, the contradiction between the Western commitment laid down in the national security strategy, the "pro-Western sentiment" of the security community and public opinion, the unilateral Western economic dependence on the one hand and the need for diversification in economy and economic policy on the other, requires further investigation. The Orbán Government, in power since 2010, is often criticised for not showing sufficient alliance loyalty towards

¹⁷ ESZTERHAI 2017b: 1–10.

the European Union and NATO. The security, political philosophy and political communication background to this issue will be explored in the section below.

Hungary has been interpreting its defence issues within the framework of the transatlantic alliance since it joined NATO in 1999, but even before NATO accession, the defence policy guidelines issued by the Hungarian Parliament referred to the transatlantic alliance as the guarantee of Hungarian security policy.¹⁸ Since then, one strategic document after another has reaffirmed the country's commitment to the Western alliance system, including the National Security Strategies (2002, 2004, 2012, 2020) and the related National Military Strategies, such as the most recent one, published in 2021.¹⁹ Hungary was one of the first countries to respond to the U.S. demand that European countries bring their defence spending closer to the 2% minimum threshold. Already back in 2017, Hungary committed to raise its defence budget to 2% of Hungarian GDP by the deadline and to keep this ratio continuously. Moreover, the government has started implementing the Zrínyi 2026 Defence and Military Development Program, which will channel the increased budget into a well-structured transformation of the armed forces and the revitalisation of the defence industry.²⁰

The new defence procurements recently announced under Zrínyi 2026 show that Hungary is seeking to diversify its options and does not wish to rely on a single country for its procurement and the delivery of its requirements.²¹ Some of the purchases come from Hungary's natural industrial partners, Germany, such as the Leopard 2A4 and 27+ tanks, the Panzerhaubitze 2000 self-propelled armoured personnel carriers, and the Lynx KF41 infantry fighting vehicles, which represent world-leading, state-of-the-art technology.²² At the same time, Hungary also has other U.S. offers on the table: in August 2020, the Ministry of Defence announced a one

¹⁸ Parliamentary Resolution 94/1998 (XII. 29.) on the Principles of the Security and Defence Policy of the Republic of Hungary.

¹⁹ Government Resolution 1393/2021 (VI. 24.) on the National Military Strategy of Hungary.

²⁰ SZENES 2018: 43–65.

²¹ STEPPER 2019a: 115–119.

²² STEPPER 2019b: 172–194.

billion dollar contract with the U.S. Raytheon and Norway's Kongsberg for the purchase of NASAMS medium-range air-to-air systems. The NASAMS system includes the battle-proven U.S. AMRAAM extended-range missiles, capable of intercepting both aircraft and incoming enemy missiles. Once deployed, these systems could replace the current AN-26 ground-to-air systems that are using the Soviet technology of the 1960s.²³ The rapid pace of the reform of the armed forces and the extensive, but non-exclusive, procurements made with the closest NATO allies are a clear sign that Hungary is a committed member of NATO and, more broadly, of the Western alliance system.

There is no alternative to the Western alliance system in Hungarian foreign relations: Hungary does not conduct joint military exercises with either Russia or China, nor does it make significant purchases from either country. On 24–25 March 2021, Chinese Defence Minister Wei Fenghe visited Budapest, which some analysts saw as evidence of “closer Sino–Hungarian defence relations”, but the Hungarian Government stressed in its statement that the minister was in the Hungarian capital to return an official visit made in 2019.²⁴ Hungary has purely bilateral relations with Russia, while it also cooperates with China in the framework of the “16+1 cooperation”. Hungary is not only a member of the latter, but in 2015 the Hungarian Government was the first EU country to sign a cooperation agreement with China in the framework of the “16+1 initiative”. Although this move had political implications, it is basically nothing more than a structured, regular meeting of the leaders of the Central European countries with the Chinese leaders (at prime ministerial level until 2019 and then at head of state level). But in fact, the need to maintain cooperation at a structured level is a clear indication that Sino – Central European relations are much less institutionalised and therefore necessarily weaker.²⁵

However, if the “alliance cohesion” with the West is so one-sided and strong, and if we cannot talk about more than a partnership with the “East”, then why has the issue become a topic of debate in the Hungarian political

²³ BROCKHAUS 2020.

²⁴ The Government of Hungary 2021.

²⁵ ESZTERHAI 2017a.

context at all? To answer this question, it is worth going back to the political philosophical views of the governing Fidesz, which are best illuminated by Prime Minister Viktor Orbán's own speeches given at the Bálványos Summer Open University. While the Fidesz-led coalition sees itself as entirely pro-Western, it has a quite harsh opinion on Western integration. Their basic political-philosophical premise is that "the West is in decline". This is not to say that it is not currently the world's most politically, economically and militarily powerful integration, but that it is no longer able to control certain processes (migration, economic growth, social mobility). This is not just at a macro level, but also in the perception of individual citizens: some young people in Western Europe no longer have the certainty of previous generations that, with hard work and determination, they can certainly achieve higher levels of success than their parents. This is also the reason for the European elite crisis which is constantly fragmenting the centre parties and reshaping the European political map with the emergence of populist politicians.²⁶ This "relative decline" of Western Europe is not a process taking place in the abstract future, but a very tangible reality, as Germany's economy has already started to show signs that its economic growth will soon slow down due to political-ideological preferences. The "non-market" logic of the CDU–Green coalition in Germany is transforming the economy in a way that will make it less competitive, and this will undoubtedly affect Hungary, as Berlin is its number one trading partner.²⁷

In the Hungarian governing party's view, the West, which it defends either on the issue of migration or on the question of preserving the Christian way of life, is a Western world that has been lost, or at least is in decline, in many places in Western Europe itself. However, in this light, the European Union must not be weakened, but strengthened, and there are three important steps to achieve this goal: reforming its institutions according to the concept of the "Europe of Nations"; continuing EU enlargement; and making the EU a global player through the development of a common military force and an independent foreign policy vis-à-vis non-EU actors. As Viktor Orbán said in his speech at the 28th Bálványos Summer Open University,

²⁶ Bálványos 2016.

²⁷ Bálványos 2019.

the way to reform the European Union is through the regulation of illegal migration and steps towards a common European army. If this is achieved, the next task is: "We must realise that in the world economy the economic competitiveness of the European Union is in continuous decline. We must restore our competitiveness. This means reducing debt, and introducing flexible terms of employment. Once we've done that, our Western European friends, who are tired of enlargement, must frankly admit that there will be no peace in Europe without the full EU integration of the Balkans. We must therefore enlarge the European Union, and must first of all admit the key state, Serbia – however absurd this idea may appear at this point in time. And once that's also done, we must conclude two overarching, historical agreements which have economic, military and political dimensions. We need a historic agreement with Turkey, and we need another historic agreement with Russia. Once all that's done, we can say that we have reformed the European Union, and that over the course of the next few decades it may be able to compete with the world's other continents."²⁸ Hungary is thus essentially the only small country, and for the first time in a long time, to play a role in setting, or at least shaping, the agenda of the European Union in a direction that would make the integration of European States more competitive, more sovereign and more resilient in its traditional values in a changed, multipolarised environment. This is not only the product of daily political communication, but also a clear, analysable foreign policy line. András Hettyey sees that the alleged "de-Europeanisation" of Hungarian foreign policy is not really visible in the various areas, but the steps taken to "Hungarianise" EU foreign policy are very much visible, for example in the areas of minority rights, agriculture, freight forwarding, enlargement policy, as well as in the opposition to the harmonisation of tax regulations in order to protect national-cultural particularities. This means that Hungarian foreign policy, contrary to the daily political communication exaggerations, is not only not "preparing to leave" the European Union, but it is precisely this attempt of "Hungarianisation" of the EU that shows most clearly that it is not possible to talk about "de-Europeanisation".²⁹

²⁸ Bálványos 2017.

²⁹ HETTYEY 2020: 125–138.

As a result, the argument that Hungary's "goal" is to leave the European Union or to distance itself from the broader Western alliance system is not a coincidence, but a product of Hungarian domestic political polarisation. In Hungarian foreign policy decision-making, which was largely consensual for a long time, from the 1990s onwards, the significant difference between the left and the right was most noticeable in terms of the importance and the way of protecting Hungarians abroad; however, the Western economic-political integration (which had no alternative) was not a conflict area. Since 2008, however, the relationship with Russia has begun to breach the consensus between the two sides. It is worth recalling that a U.S. diplomatic cable leaked to Wikileaks said it was strange that the Hungarian Government at the time remained "relatively quiet" about the 2008 Georgian–Russian war, which Fidesz denounced at the time.³⁰ However, in the long run, the lessons learned from the 2008 economic crisis have led to a growing openness to accessing Eastern markets, which was not only an economic but also a political question. The policy of "Eastern Opening", which has become an official government policy since 2012, and subsequently the policy of "Global Opening", have served this purpose and have been able to proceed essentially unhindered with the support of the two-thirds supermajority Fidesz won in 2010. This supermajority, and its decisive political, even foreign policy, use, has further increased the frustration that the connotations of the Eastern Opening have caused for some domestic political actors. It was a natural step for the opposition, which endowed dictatorial qualities to Viktor Orbán, who is governing with an overwhelming majority in Parliament, to reject the Hungarian foreign policy line along with the dictatorial leaders of the countries of the Eastern Opening.³¹

However, the Hungarian Government always emphasises the "pragmatic" nature of the Eastern Opening, meaning that it does not accept a "political package" in exchange for stabilising economic relations. But quite the opposite: one of the aims of diversifying relations is precisely to reduce the political package that is necessarily accepted. This is clear from the reports of non-governmental organisations, which acknowledge that Russian

³⁰ Wikileaks 2008.

³¹ See for example SERES 2017.

influence in Hungary is of a very different nature from that of the other Visegrád countries, for example, and that our country is much less exposed to any mass attempts at influence. According to Tamás Matura's 2018 study, Hungary's relations with China were also basically seen as an economic opportunity, independent of political issues, and unlike in the Czech Republic, for example, sensitive issues were not significantly represented in the discourse of any political or public actor. In 2018, it could even be said that all parties had implicitly supported opening up to China.³² This has fundamentally changed with the Trump Presidency's more confrontational policy towards China and the spread of the Covid-19 pandemic. According to some opinions and surveys, it was exactly the coronavirus epidemic that has brought China's image to a historic low in the past year and a half.³³

Not only the foreign policy context has changed in the past year and a half, but also the domestic political context. Elections will be held in Hungary in April 2022, and given the overwhelming Western orientation of society, there is political potential to give an East–West dimension to the struggle between government and opposition. All this was clearly visible in the 2021 summer primary election campaign and the related media coverage. The first test of the relations with the East was the issue of Eastern vaccines, as vaccines not approved by the European Union were systematically used in Hungary, and as a result the issue of vaccination became increasingly political.³⁴ Although most later admitted that the purchase of Chinese and Russian vaccines was a good choice at the time, the issue of Chinese and Russian relations was again at the heart of the campaign. The case of Fudan University, which was planning to establish a campus in Budapest, was also memorable, causing considerable domestic political tension and leading to large-scale protests by opposition parties and movements in early summer. In addition, the opposition-led capital has replaced street signs around the proposed campus site with ones that could offend the political sensibilities of the would-be Chinese investor.³⁵

³² MATURA 2018.

³³ SILVER et al. 2020.

³⁴ VERSECK 2021.

³⁵ BBC News 2021.

It was the Momentum Movement, which appeals most to young people, that has made suspicion of China a political identity.³⁶

Beyond the day-to-day issues, the discourse on the government's alleged "anti-Europeanism" was given a further boost by an opinion piece published in a newspaper close to the government in the summer, entitled "It Is Time to Talk about Huxit". Although the author of the article did not take a position on leaving the European Union, he believed that this option can no longer be considered as completely absurd.³⁷ Slightly earlier than this was the primary election campaign of one of the most prominent opposition parties, the Democratic Coalition, which partly focused on the ruling party's criticism of the EU. "Don't let Viktor Orbán take Hungary out of the European Union" was indeed the dominant discourse of the opposition primaries for a while.³⁸ Later on, the technicalities of the opposition coalition and the domestic political thematisation that is otherwise typical of election campaigns naturally reappeared in the opposition primary campaign, somewhat obscuring the discourse on the West–East divide. It seems, however, that as a result of the constellation of the right domestic and foreign policy factors, foreign policy will become a part of the 2022 campaign, and may even reinvigorate this discourse, thus turning the question of foreign policy orientation into a tool of political communications.

SUMMARY

The states of the Central European region are clearly the winners of the geopolitical changes of the late 20th century, as they not only regained their sovereignty, but also left their frontier status permanently behind. However, since 2008, this geopolitical gain has been coupled with the realisation that unilateral dependence on European integration is not enough in a crisis situation and that the country's foreign policy and foreign economic relations need to be diversified in an increasingly multipolar world. This need for

³⁶ MATURA 2019.

³⁷ FRICZ 2021.

³⁸ Gondola 2021.

diversification and multi-vectoral foreign policy is a regional trend, but it is also more pronounced in Hungary than in other Central European countries.

The country's strategy documents show clear political, economic and security ties with the countries of the Western integration, while these documents also draw attention to economic opportunities, alliance expectations and potential threats in relation to China and Russia. Looking at Hungary's foreign economic figures, we can conclude that the country is almost unilaterally dependent on its Western European partners, while at the same time striving for economic diversification. In the spirit of alliance cohesion, Hungary is a committed member of NATO, and strives not only to achieve the 2% defence minimum as soon as possible, but is also strongly linked to NATO members, especially Germany and the United States, through its structured armed forces reform and defence cooperation and procurement. On a political philosophical level, this Western orientation can be nuanced if Hungary is critical of the EU in the spirit of traditional values, national sovereignty and economic competitiveness, and wishes to act as an independent actor in the integration framework, influencing the agenda in a meaningful way. This qualified Western orientation is, however, significantly distorted by political communication, which on the one hand reinforces criticism of Western societies and on the other identifies Eastern political systems with the political preferences of the Hungarian partner. However, political communication, which can gain a disproportionate amount of space during campaign periods, is unlikely to have a lasting impact on a country's stated strategic goals and foreign policy orientation.

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IDEOLOGY AND LAW IN
THE UNITED STATES

THE IMPACT OF THE TRUMP
EFFECT ON CONSERVATISM

Donald J. Trump, contrary to the expectations of pollsters, the mainstream media, and the vast majority of the political, economic, social and cultural elite, first defeated the 16 other presidential candidates of the Republican Party in the 2016 primaries, and then Hillary R. Clinton, the icon of the Democratic Party – and of liberals – in the November presidential election. His success was attributed by many, both at home and abroad, to a one-off ‘fluke’, but in the 2020 presidential election, despite the fact that the majority expected a significant defeat for the president and his party, mainly due to the Covid-19 epidemic and the economic difficulties it caused, the ‘blue wave’ expected by his opponents did not occur. In fact, Donald J. Trump received roughly 10 million more votes than four years earlier, while Republicans in the federal House of Representatives increased their numbers, won more governorships than expected, and a Republican majority emerged in both houses of the state legislatures in roughly half of the states. Only in the federal Senate did the Republican Party fail to maintain its majority, mainly due to the loss of the Georgia senatorial election, primarily as a result of the President’s inappropriate tactics. One of the lessons of American history is that, with a few exceptions (such as Grover Cleveland or Richard Nixon), failed presidential candidates were not able to stay at the forefront of politics, but, as the upcoming presidential election in 2024 demonstrates, Donald J. Trump has been able to do so. The former president’s hold on the Republican voters is so strong that no serious challenger emerged during the primaries in 2024. It is true that there is a certain number of disgruntled ‘Never Trumpers’ among the Republicans, but their voice is usually stifled by the MAGA Republicans and those who think that defeating Joe Biden is the paramount goal even if they do not necessarily agree on Trump

concerning both style and substance. It seems that the immediate future of the Republican Party will be defined by Donald Trump for better or worse.

On the one hand, Donald J. Trump did not emerge from obscurity in 2015–2016 (he had previously run for the Republican Party's presidential nomination), and his decades of media presence had given him a wide profile. On the other hand, practically all the elements of his political program were already known in American political history, even if not in the way Donald J. Trump represented them. His success can be seen as a classic case of being at the 'right place, right time' – in this sense, he is a successful politician, and can even be described as a politician who can be considered a transformational president in the history of the Republican Party. The question of whether he played (and still plays) a similarly crucial role for American conservatism is more controversial. Many have tried to describe his political ideology in many different ways, but it is so amorphous that it cannot be reduced to any political theory category. Perhaps most of all, Donald J. Trump's policy can be described as an ideology-free policy without pragmatic (dogmatic) principles, often self-contradictory, having a kind of 'transactionalism'. However, it also seems clear that Trump's emergence on the stage of big politics, and his undeniable popularity and success with tens of millions of voters, brings Republican Party supporters and conservative-leaning people (the two categories do not necessarily overlap) to a crossroads. The key question for both groups, and for U.S. politics in general, is whether 'Trumpism' will take over within the Republican Party, or whether the more traditional conservative values can regain influence within the party and win mass support for a softer, more middle-of-the-road tendency on the right of the political spectrum against an increasingly leftward shifting Democratic Party, which is also in a struggle between moderates (centrists) and radicals, the so-called progressives. In reality, the two extremes are largely conditional on each other; 'Trumpism' reinforces 'progressives' and vice versa. The 'middle' in U.S. political life seems to be emptying out with the weakening of the traditional, broad middle class, which is their mass base, and which agrees in a broad national consensus. Demographic changes, the overemphasis on group interests, so-called identity politics, extreme ideologies (critical race theory, intersectionalism, 'wokeism', etc.)

that emphasise differences rather than similarities have all shaped the current political life for the worse, which is divided to the extreme, and from which Donald J. Trump's eclectic populism is (was) trying to find a way out. However, the success of the experiment is more than questionable, and, it is also doubtful whether it would benefit the United States and the world as well. In any case, it is fairly safe to say that Trump has raised important but taboo issues in American political life, and expressed a traditional American desire and aspiration for change, albeit often in a way and tone that is unusual in public life. But substance and form should not be confused, which lesson was learned by the liberal side and moderate conservatives the hard way in 2016.

TRUMPISM – POPULISM, ANTI-ELITISM

The policies of Donald J. Trump contain highly eclectic elements. It is difficult to describe it briefly: perhaps demagogic 'populist conservatism' could be used, although both the adjective populist and the noun conservatism are more than problematic because of the different interpretations. Populism, in a very broad sense, is the representation of the 'people' against the 'élites', the *establishment*. The phenomenon, in this sense, is not new in the history of the United States. Grass roots disillusionment and the need to protect the 'little people' against the dominant financial, political and social elites have been reinforced from time to time. Without being exhaustive, one can mention President Andrew Jackson (1829–1837), who, among other things, expanded democracy and strengthened the rights of the states to reduce the dominance of East Coast elites. The People's Party or Populist Party, which emerged around the turn of the 19th century, grew out of a left-wing agrarian movement and, broadly speaking, opposed the financial and corporate elites; it was an era that saw the rise of huge industrial and financial concentration, the rise of the Rockefellers and the Morgans. Then, in the 1930s, in the wake of Franklin D. Roosevelt's New Deal, in opposition to large-scale federal programs and increasingly comprehensive central regulation, a number of left populist movements and programs emerged,

from Louisiana Governor Huey Long's *Share Our Wealth* to Father Charles Coughlin's *National Union for Social Justice*. Even the *America First* movement, which called for the neutrality of the United States in the event of war, and included such 'big names' as Charles Lindbergh, can be included in this line. The 'original' *America First* movement and Donald J. Trump's *America First* campaign slogan also touch on another Jacksonian tradition: Walter Russell Mead's typology attributes to the 7th President of the United States the principle of a strong military force but refraining from international military involvement,¹ which President Trump sought to meet by reducing America's military commitments. It should be added here that this approach was in contrast to the traditional American conservative view of U.S. military engagement abroad, especially the so-called neo-conservative position. Finally, and by no means exhaustively, the *Reform Party*, founded by Ross Perot in the 1990s, the better known members of which included Patrick Buchanan, was considered by some paleo-conservative, and Ralph Nader, a leader of the consumer movement, also deserves a mention in this context. What makes this essentially unsuccessful party interesting for the purposes of this essay is that Donald J. Trump was also briefly a member of this party. Perot, and many others before him, including Theodore Roosevelt at one time, were dissatisfied with the bipolar political system and wanted to give a third party alternative to the Democratic and Republican parties. Donald J. Trump's 2016 campaign was built partly on responses to the real problems of the lower middle and working classes without tertiary education, and partly on dissatisfaction with the two major parties. Millions of voters wanted a combative candidate who would take on the *establishment*, who was outspoken, who did not speak the language of the *Beltway* politicians in Washington, which included the so-called RINOs (*Republicans in Name Only*) within the Republican Party, too. By the end of the 2010s, these social groups had become the core voters of the Republican Party: while in the 1990s the majority of white voters without a higher education degree backed Bill Clinton, in 2016 39% more of them voted for Donald J. Trump rather than for Hillary R. Clinton.² Anti-Beltway sentiment is not a recent phenomenon:

¹ MEAD 2017.

² IGIELNIK et al. 2021.

after the Second World War, a whole series of presidential candidates ran against Washington, the political, economic, social and cultural elite represented by the capital, and the Washington bureaucracy (the deep state): Jimmy Carter, Ronald Reagan, Bill Clinton, George W. Bush, even Barack Obama before Donald J. Trump. After his defeat in November 2020, the former president was considering the formation of a third party for a while, which – if American history teaches us anything – is practically doomed to failure, mainly because the two major parties are umbrella parties or people's parties, and cover the entire political spectrum from the far right to the far left, so a third party has no real room for manoeuvre. (Not to mention the gigantic task of organising and funding a national party.)

Anti-elitism itself has a similarly strong tradition in the United States. In the 20th century, anti-elitism gained momentum during the presidency of Woodrow Wilson. The idea was used by Warren G. Harding with his 'back to normalcy' campaign slogan in 1920, promising the dismantling of the 'big state' built up during the Great War: the abolition of hundreds of federal institutions and the removal of regulatory regimes affecting many areas of life. The New Deal had already irrevocably begun to build the welfare state, which was further expanded by the Democratic Party presidents following Franklin D. Roosevelt; most notably Lyndon B. Johnson's *Great Society* should be mentioned in this respect. The Republican Party practically accepted the new consensus; opponents, such as Robert A. Taft, failed with the concept of restoring the 'small state'. Within the Republican Party, the East Coasters around Nelson Rockefeller took the lead in the 1950s and 1960s, and this Republican elite was strategically very different from the Democratic elite. As a kind of culmination of convergence, George W. Bush gave birth to 'big government conservatism' with his 'compassionate conservatism', and his successor Republican Party presidential candidates John McCain and Mitt Romney also adopted this policy. Increasingly large social groups, especially the agricultural people of the Midwest, the white workers of the Great Lakes states, and the religiously and socially conservative residents of the South, felt that the party leadership no longer represented their views. Donald J. Trump felt this sentiment and won

the support of the vast majority of the 48% of what Hillary C. Clinton, condescendingly, called the 'basket of deplorables'.

The patronising attitude of some of the political elite was complemented by similar attitudes among the media and cultural elite. The immediate beginnings here date back to the 1960s. The leftist-inspired 'counterculture', as well as the conquest of universities and colleges by the theories of the left, Marxism, neo-Marxism, even Maoism (Herbert Marcuse, the French deconstructionists, etc.), the iconification of figures such as Fidel Castro, Che Guevara, Mao Zedong, not only challenged traditional values, but also made those who still believed in the 'American creed', the 'American dream', second-class citizens in the intellectual and spiritual field. In a kind of paradox, the Leninist 'useful idiots' (meaning the intelligentsia) in America began to regard as 'useful idiots' those who believed in the Bible, the political system established by the Founding Fathers, traditional values such as family, homeland, individual morality, and so on. It was this frustration with the university and metropolitan elites that Donald J. Trump was able to capitalise on in 2016 – it is another question how much Trump personally empathised with these people and shared their concerns and disillusionment. But by strongly voicing these sentiments, whether sincerely or not, he forced a choice within conservatives and the Republican Party: on the one hand, the populist conservative tendency was strengthened, and on the other hand, the 'Never Trump' voters, the modern-day Rockefeller Republicans, returned to a political line in which the Republican and Democratic elites were virtually indistinguishable on strategic issues, and as a glaring example of this, such former conservatives as for instance, George F. Will, John Kasich, William Kristol, Max Boot, and the list can be extended at will, voted for Hillary Clinton and Joe Biden.

A recurring criticism of Donald J. Trump is that he divides society, pitting social groups against each other. Presidential candidate Trump indeed made more than objectionable statements about Latin American, especially, Mexican immigrants. Later, as President, he imposed a travel ban from many Muslim countries. That is, he was criticised for mobilising public opinion against ethnic groups. Donald J. Trump is indeed 'guilty' of these accusations, but the fact cannot be ignored that the so-called identity

politics is a left-wing, liberal, above all black feminist, nationalist-inspired idea, defining social groups against each other, which Trump has turned on its head. The success of his policy among a significant group of whites can be traced back to the so-called positive discrimination practices in educational institutions and workplaces that began in the 1960s; and also to the often tragicomic manifestations of political correctness targeting the white population and to the efforts to rewrite history (i.e. read history backwards), as exemplified by, for instance, the *1619 Project* launched by the authors of *The New York Times* and *The New York Times Magazine*. The rewriting of American – and Western – history began at least as early as the 1980s, and its aim was to erode American national identity; it is no coincidence that Donald J. Trump's rhetoric of restoring the 'greatness' of the United States, brought to life by George Washington, Thomas Jefferson, James Madison, the 'founding fathers' in general, and later such political leaders as Abraham Lincoln, Theodore and Franklin D. Roosevelt and many others – is for the left discriminatory, because it is almost exclusively about 'dead, white, male' people. For the proponents of critical race theory, the history of the U.S. (and, by extension, the West) is about racism, the suppression of minorities by the privileged white people for all intents and purposes, and their goal nowadays is to redress all the real and perceived 'crimes' in all walks of life from politics to culture committed by the dominant social classes in the past. The *Critical Race Theory* (CRT) questions the foundations of the liberal order, including equality, the rule of law, Enlightenment rationalism and the principles of constitutional neutrality. In the words of Kimberlé Crenshaw: "Critical Race Theory draws from a variety of intellectual traditions, including but not limited to poststructuralism, postmodernism, Marxism, feminism, and literary criticism. It also incorporates self-defining discourses such as black nationalism and radical pluralism." She also added: "The normative position within Critical Race Theory is that achieving racial justice necessitates large-scale social transformation."³

³ HAYWARD 2021.

ECONOMY, CLIMATE CHANGE

The Republican Party's fiscal policy had been determined by the principles of the so-called fiscal conservatives until the 1980s. The main elements incorporated a balanced budget, avoidance of sovereign debt, low federal personal and corporate taxes and deregulation. Other relevant aspects included the 'small' federal state, the reduction of central bureaucracy, and decentralisation (in other words, the strengthening of the local levels of power, as opposed to federal and state levels), partly by leaving more money in the hands of the states and local authorities. The Democratic Party was on the opposite track with the New Deal, which – broadly speaking – strengthened central power and pursued a more redistributive policy through higher taxes. However, fiscal conservatives were marginalised from the 1980s onwards within the Republican Party. During his campaign in 1980, Ronald Reagan used their principles, but as president he betrayed them, so to speak.⁴ It is true that he cut taxes and abolished many central regulations that hampered economic activity, but at the same time he kept welfare spending flat, while increasing defence spending. As a result he started a spiral that resulted in the U.S. sovereign debt stock rising to \$27 trillion by 2020, or roughly \$70,000 per capita (for comparison: in 1990, the debt per capita was around 12 thousand dollars).⁵ This meant, among other things, the adoption of the liberal 'big', 'caring' state; under George W. Bush, one could already speak of 'big-state conservatism' in the spirit of the 43rd president's compassionate conservatism. While Donald J. Trump promised a return to traditional fiscal conservatism, this was only reflected in a simplification of the personal tax system and a modest reduction in personal income taxes, a reduction in corporate tax from 35% to 21%, and a relaxation of central regulatory regimes. The size of the federal bureaucracy did not shrink, while the national debt increased by more than four trillion dollars between 2019 and 2020 – mostly due to the economic impact of Covid-19. A return to classical conservative fiscal and economic policies does not seem to be possible, and it would be an achievement on the conservative side if

⁴ STOCKMAN 1986.

⁵ DUFFIN 2021.

they could pass elements of Donald J. Trump's economic policies, such as lower taxes and contributions, job creation, less central regulation and the continuation of decentralisation, which have proven successful in many respects, in contrast to the policy of the leftward-shifting Democratic Party. These latter measures would also politically boost the Republican Party's chances against Democrats, who rely mainly on the East and West coasts and the big cities, while then Republican strongholds can mostly be found in the South, the Midwest and the Rocky Mountain states, where the large segments of the population, especially the working class and lower middle class voters – Hillary Clinton's 'deplorables' – feel being abandoned, even being looked down by the political, social and media elite.

Members of the so-called '68 generation', including Hillary R. Clinton, played into Donald J. Trump's hands during the 2016 presidential election by concentrating on 'culture warrior' issues instead of addressing those who in previous decades had either seen their economic circumstances worsen or, at best, their living standards stagnate, including in the so-called 'rust belt' states. In these former industrial centres in the Northeast and along the Great Lakes, jobs had been disappearing rapidly, mostly due to automation and outsourcing. The predominantly white workers employed in traditional industries (iron and steel, clothing, shoes, etc.) used to be stable Democratic voters; it is no coincidence that it was the Democrats, for example, who were very sceptical of the North American Free Trade Agreement (NAFTA) in the 1990s. However, the Obama–Clinton wing of the party put its faith in globalisation, and one of the side-effects of this had been the loss of many jobs in the U.S., largely as a result of competition from East and Southeast Asia. It was with the help of these disillusioned voters that Donald J. Trump won in industrial states such as Ohio, Michigan and Pennsylvania. Here the Republican presidential candidate reversed previous party policies on the issue. The Republican Party used to be supported, as a trend, by Wall Street and big business, and was accordingly in favour of free trade – although in the 1920s Republican presidents introduced high protective tariffs (Fordney–McCumber [1922] and Smoot–Hawley [1930] laws). But Donald J. Trump had clearly promised and delivered a protectionist trade policy. As a key element of this policy, Trump had frozen the Transatlantic

Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP), started a kind of trade cold war with China in particular; but also European allies fell ‘victim’ to this policy. He also renegotiated NAFTA (United States – Mexico – Canada Agreement – USMCA), and thereby created more favourable conditions for American workers and agricultural workers. Job protection then proved to be so politically advantageous that in 2020, his Democratic opponent Joe Biden also committed to protecting American jobs (*American Jobs Plan*),⁶ and TTIP and TPP were also excluded from the priorities of the new Democratic administration.

Protectionist trade policies and efforts to repatriate (large) companies had also been pursued by the Trump Administration in the strategic sector of energy policy. The Republican Party has traditionally enjoyed good relations with large companies with interests in the energy sector. However, at the beginning of the 21st century, global warming, climate change and pollution have also become the focus of serious political debate. The political left in both the U.S. and Europe, mainly through so-called green policies (or outright green parties of various names), including effective mass media as well as social media, is putting a lot of pressure on government actors, from reducing carbon emissions to banning polluting substances. The majority of scientists agree that human activity and habits play a major role in climate change, which could have dramatic consequences (melting ice caps at the North and South Poles, resulting in rising ocean and sea levels that could threaten the lives of hundreds of millions of people living along the coasts, etc.). One of the ‘apostles’ of the fight against climate change, former Democratic Party Vice President Al Gore and his party, especially its so-called progressive (i.e. left) wing in the United States, are pushing the Democratic Party in an increasingly ‘green’ direction. In contrast, the majority of Republican Party supporters are sceptical that climate change is primarily the result of human activity, although, it should be noted, the preservation of the Earth’s ecosystem and environmental protection should be a fundamentally conservative idea.

⁶ The White House 2021.

Apart from the scientific arguments, the issue has taken on a serious economic and political dimension. The emission guidelines and quotas agreed at the various climate summits do not, of course, apply to all countries. Advanced industrialised societies have accepted – and would accept – greater cuts than countries in the developing category. The latter include China, India and Brazil, among the biggest emitters. At the time of the Kyoto Protocol (1997), a fierce debate broke out in the United States about the advantages and disadvantages of adopting the Protocol. The Clinton Administration ultimately refused to submit the document for congressional ratification due to bipartisan opposition. One of the main objections raised by opponents was that the protocol would give undue advantages to certain countries, China in particular. This argument was then gradually weakened by the rise of the ‘progressives’ within the Democratic Party, but the majority of the Republican Party insists that Beijing would benefit from similar agreements, most recently the Paris Agreement, in the U.S.–China strategic rivalry. As a logical result of this Donald J. Trump withdrew the United States from the treaty to which the Obama Administration had acceded, while one of Joe Biden’s first executive orders was to rejoin the Paris Agreement. In any case, the U.S. energy self-sufficiency, including increased production of natural gas, shale gas and oil, was a key driver behind Trump’s action. As part of this, the Republican administration opened up areas previously closed to fossil fuel extraction for environmental reasons, and gave the go-ahead to the Keystone XL pipeline, which was intended to transport gas extracted in Canada to ports in the U.S. Gulf of Mexico and then liquefied natural gas to other countries, including Europe. Indeed, partly through this project, the United States could even have emerged as a seller on the international energy market, with a number of geopolitical implications (including in Central Europe). Another benefit, according to the Trump Administration, would have been to increase U.S. competitiveness – for example vis-à-vis China. However, under pressure from the green lobby within the Democratic Party, Joe Biden withdrew the permit for the pipeline construction from TC Energy Corporation on the first day of his presidency, 20 January 2021. Donald J. Trump sees the move as a weakening of the international position of the United States, and on this issue he is practically on the same platform as

the majority of (neo)conservatives who support a strong and internationally active America. Fossil energy production is also a political issue, as hundreds of thousands of workers are employed in production, transport, refining and distribution, many of them living in key electoral states.

JUSTICE, LAW AND ORDER

Perhaps the most lasting legacy of Donald J. Trump, and one that is also acceptable to conservatives, is the new judges appointed to the various levels of the federal courts (District Courts, Appellate Courts, Supreme Court). In the United States, in the dual court system – federal and state – the President can nominate new judges for federal courts, whose appointments are approved by the federal Senate. The appointment is valid for life or until the judge resigns or is legally removed (*impeachment*). As the latter two is quite rare, appointed judges can remain in their posts for practically decades. Since, under the system of checks and balances, court decisions cannot be overruled by either the executive (the President) or the legislative (the Congress), they remain the law of the country until they are changed by a federal court at the appropriate level. When the President and the majority of the federal Senate are from the same party, that party can appoint judges who broadly agree with his/her philosophy – even if they are supposed to be independent and not involved in party politics. But in reality, two attitudes prevail among judges: the so-called originalist and the liberal or activist. The former category, which is partly arbitrary, includes those who believe that the role of the courts is to interpret the constitution and existing laws. The latter group, on the other hand, believe that if the other two branches of power do not (properly) address a social or even economic issue, then the courts have the right, even the duty, to ‘legislate’. The most striking example of the latter is the role of the courts, especially the Supreme Court, in civil rights matters. Because of the cyclical nature of the U.S. presidency,⁷ it has happened repeatedly in recent decades that a liberal-leaning, i.e.

⁷ For more on this topic see SCHLESINGER 1986.

Democrat president has ‘inherited’ a conservative Supreme Court, and in turn, a conservative-leaning, i.e. Republican president has ‘inherited’ a liberal-majority judiciary. Of course, there have always been – and will always be – exceptions to the rule; for example, Dwight D. Eisenhower nominated Earl Warren, a staunch conservative with a solid record, to the Supreme Court, but he proved to be quite liberal in that office (1953–1969).

However, there were also presidents who did not have the chance to nominate a single judge to the Supreme Court during their term of office. In this respect, Donald J. Trump was ‘in the right place at the right time’, since he was able to nominate three new members to the nine-member body in four years, mainly because the small Republican majority in the Senate – despite the fact that several members sharply criticised the President on other issues (Lisa Murkowski, Susan Collins or Mitt Romney, among others) – ‘united’ on judicial nominations, even though all the nominees have been subjected to harsh and in most cases undignified attacks from the liberal side. All three nominees, Neil M. Gorsuch, Brett M. Kavanaugh and Amy Coney Barrett, came under attack primarily for their ‘pro-life’ stance; the liberal majority Supreme Court decision in *Roe v. Wade* (1973) allows, in simple terms, abortion in the first three months of pregnancy (and in various extreme cases, also later). The right to abortion is one of the value issues that represents a sharp dividing line between conservatives and liberals, and Republicans and Democrats: the former, the ‘pro-life’, oppose the unrestricted right to abortion, mainly on religious grounds, while the latter, the ‘pro-choice’, include it among the personal liberties as an achievement of the feminist movement. The American left (liberals, much of the mainstream media, etc.) brought up a decades-old alleged harassment case of Kavanaugh under the banner of the #metoo movement, while in the case of Barrett, the judge’s religiosity and principled opposition to abortion provoked almost ecstatic opposition from liberals. Another unspoken but implied accusation against them was that all three were white, Anglo-Saxon and heterosexual, and two of them were even male, so they allegedly did not reflect the current profile of American society. By way of contrast, Barack Obama nominated Sonia Sotomayor, a Hispanic, and Elena Kagan, a Jew, to the Supreme Court. Together with Donald J. Trump’s

appointees, the 'originalists' are in the majority in the Supreme Court by a ratio of 5:4 (the chairman, John J. Roberts, Jr., is basically conservative, but there have been cases of him voting with his liberal colleagues). The current composition of the Supreme Court, and the hundreds of judges appointed to lower federal courts by Donald J. Trump, may thus represent the president's most enduring legacy and, if necessary, a successful counter to the aggressive social transformation (a.k.a. social engineering) efforts of the liberal left, the so-called progressives. It is no coincidence that during the first large-scale attempt at social transformation in American history, the New Deal, the Democrat Franklin D. Roosevelt wanted to 'pack' the Supreme Court with his own people. This 'court packing' idea was heated up by Joe Biden during his campaign, in which he promised, among other things, a second New Deal. At the same time, the most vocal members of the radical left, including such Democratic Party congressional members as Alexandria Ocasio-Cortez, Ilhan Omar, Ayanna Pressley, Rashida Tlaib, Jamaal Bowman, Cori Bush (The Squad), called for (and are calling for) a Green New Deal; a rather questionable agenda to transform the U.S. energy market and industry.

The phrase 'law and order' became the 'trademark' of the Republican Party in the turbulent late 1960s. The peaceful and sometimes violent civil rights protests that characterised the decade, the demonstrations against the Vietnam War, the increasingly radical student movements with the occupation of universities, the rise of feminism, the destruction of traditional moral and social norms by the sexual revolution, the emergence of so-called identity politics, provoked a strong reaction from the 'silent majority'. The Democratic Party, in the opinion of tens of millions of people, was not strong enough to tackle the extremism and violence that flooded the streets. Indeed, it often treated those who committed lawlessness and violence with misconstrued tolerance. Learning from its failures in the 1960 and 1964 presidential elections, the Republican Party was renewed with a strong conservative intellectual base and offered a viable alternative to liberal policies. One element of this alternative was the restoration of the rule of 'law and order' and tougher action against those who broke the law. The Republican Party's policy in this area was, to a certain extent, adopted by

the Clinton Administration (1993–2001) with the *Violent Crime Control and Law Enforcement Act* of 1994,⁸ which later came under attack from the left of the Democratic Party. Progressives considered – and continue to consider – the law racist because of the disproportionately high numbers of certain racial minorities, primarily African Americans and secondarily Latinos, who are tried and convicted in the courts compared to their proportion of the population as a whole. On this issue, in part, the conservative ‘colour blind’ approach to society is in opposition to the ‘positive discrimination’ principle of the liberals. Above all, the opposition pits affirmative action, which gives preferential treatment to racial and gender minorities in college and university admissions and in most workplaces, against the American myth of full social equality regardless of race or gender orientation. Donald J. Trump clearly believes the latter, even though there is overwhelming evidence that this ideal situation never existed, and that the antagonisms between social groups have been exacerbated by the relative decline of the American economy to an extent unseen in the last century and a half, with the economic situation of the middle and lower middle classes – mainly white – deteriorating or at most stagnating, the polarisation of political life, the paralysis of the federal legislature, the fragmentation of society (many social scientists speak of a 50–50 society), and the reasons go on and on.

One of the most controversial areas of the ‘law and order’ approach is the issue of immigration regulation. The liberal approach is much more permissive than the conservative one on this issue, too. There is a fierce debate in the United States about the fate of illegal immigrants. The issue was last settled by Ronald Reagan with the *Immigration Reform and Control Act* of 1986,⁹ which, among other things, legalised the status of illegal immigrants who arrived before 1 January 1982. In the decades since, however, illegal immigration has continued, mainly from Latin American countries, through the 3,145 kilometres of green border separating the United States from Mexico, but there are also significant numbers of people who have remained in the country illegally in other ways, such as after their visas have expired.

⁸ Congress 1994.

⁹ Congress 1986.

In the early 2000s, a bipartisan attempt was made to tackle the situation of illegal immigrants, but the ideas fell victim to partisan political infighting. It is estimated that there were more than ten million illegal immigrants living in the U.S. in the late 2010s. Their numbers have also been boosted by the Obama Administration's *Deferred Action for Childhood Arrivals* (DACA) program. DACA deferred deportation for people who came to the United States illegally as children. At the same time, since the late 1980s, the so-called *sanctuary city* movement, which effectively meant that local authorities refused to cooperate with the federal government in enforcing immigration laws, has been spreading, especially in Democratic-led states and cities. During his 2016 campaign, Donald J. Trump promised to further strengthen the U.S.–Mexico border, speed up deportations (in reality, the Obama Administration also deported large numbers of illegal immigrants), end the DACA program and force local governments to cooperate with the national government on immigration. On this issue, Trump was confronted not only by liberals, but also by moderate conservatives. Following Mitt Romney's defeat in the 2012 election, the party came to the – correct – conclusion based on demographic trends that Republicans needed to open up to racial and other minorities more than before in order to remain competitive with the Democratic Party in the future. President Trump pushed for the revocation of DACA, but the Supreme Court eventually stayed the revocation order (*Trump v. NAACP*, 2020). Donald J. Trump had more success in curbing *sanctuary city* practices: a total of 33 states passed laws to cooperate on illegal immigration with the relevant federal government agency, *Immigration and Customs Enforcement* (ICE), which was under constant attack from the liberal left during the Trump Administration. Donald J. Trump's immigration policy enjoyed the support of the majority of society and did not seem to have provoked any serious opposition even among the most affected ethnic group. In fact, Trump managed to increase the Latino vote for the Republican Party, both in absolute terms and in terms of the proportion of the voting age population, especially in such key states as, for instance, Florida, where immigrants from Latin America (Cuba, Venezuela, etc.) are more politically conservative than in the East and West Coast states. Of course, the immigration issue is only one factor influencing the political

orientation of Latinos, but Trump's handling of the issue has clearly not caused a setback for the Republican Party among this ethnic group.

TRANSACTIONAL FOREIGN AND DEFENCE POLICY

One of the main strengths of the Republican Party, and one of its main attractions in the eyes of the electorate after the Second World War, was its foreign and defence policy. The achievements of Dwight D. Eisenhower (1953–1961), Richard M. Nixon (1969–1974), Ronald Reagan (1981–1989) and George H. W. Bush (1989–1993) in these two areas are rarely disputed. True, the neoconservative-influenced George W. Bush's (2001–2009) record on democracy export and 'nation (or rather state) building' is more than questionable. Eisenhower, Nixon and the elder Bush had a wealth of international experience by the time they took office. They saw the world in terms of a comprehensive strategy, and in this they were aided by advisors of character and stature such as John F. and Allen Dulles, Henry A. Kissinger, George P. Shultz, as well as James A. Baker and Brent Scowcroft. These presidents and their senior foreign policy advisors had a coherent world view and saw the world as one. They thought and worked with clear priorities and had the support of the U.S. conservative foreign policy elite. (In the context of the conservative elite, we can speak of foreign policy, defence, financial, social, religious, etc. elites, who, of course, did not agree on all issues, but who sought a general consensus, a 'conservative minimum'.) These priorities included a strong America, a diversified military and political alliance system, the prioritisation of interests, and multilateralism whenever possible, but also unilateral action when it was deemed more expedient.

Donald J. Trump did not retain much of this conservative foreign and defence policy legacy; practically nothing except the principle of a 'strong America'. The defence budget had grown steadily during his presidency, and President Trump responded to the challenges of a rapidly changing security environment by ordering the creation of a fifth force, the U.S. Space Force, in addition to the existing four, which was officially established in December 2019. At the same time, the president reduced U.S. military commitments

abroad, especially in the Middle East, and demanded – rightly – greater burden-sharing from allies, above all NATO's European allies. Most of the latter allies significantly reduced defence spending after the break-up of the Soviet Union ('peace dividend'), but this made the U.S. financial contribution to the common burden even more disproportionate, and Europeans' defence capabilities increasingly lagged behind those of the U.S. These countries were virtually unable to act effectively in the event of conflicts in their own neighbourhood (Western Balkans, North Africa); in each case, the U.S. military had to support the European allies against militarily insignificant opponents such as Serbia or Libya. Donald J. Trump's pursuit of a more balanced allied military burden-sharing is one of the areas where the president's policies met the majority position of the (conservative) elite, and only the doctrinaire neoconservatives criticised the president for his actions in the field of defence policy.

However, Donald J. Trump's foreign policy was not so well received. Above all, he lacked the global vision of Eisenhower, Nixon, Reagan and Bush Senior, a clear articulation of strategy and the tactical steps leading to it. In fact, Trump is not in the same league intellectually or in terms of governmental experience as his predecessors (and this was also true of his frequently rotating foreign policy advisors), and partly because of this he dealt with different regions of the world and different issues almost exclusively on their own, in a so-called transactional way. He took contradictory, conflicting and unilateral steps towards both allies and adversaries. Thus, among other things, he denounced the 2015 nuclear deal with Iran, but did not take any serious steps to counter Tehran's regional middle power ambitions, to offset the reduction of the U.S. (military) presence. His 'maximum pressure' policy did not produce the intended purpose of crippling the Persian state's economy; Tehran was discreetly assisted by countries which were bent on 'soft balancing' the U.S. He demanded greater involvement of European allies in international affairs, but at the same time supported Brexit, as a result of which the European Union lost its strongest military power, drastically reducing the community's foreign policy weight and capacity for action. He began a kind of trade cold war with China, while his main allies, such as Germany, increased their trade

and economic ties with the East Asian great power. And the list goes on. Donald J. Trump's clear emphasis on interests could even make him the heir to the Nixonian–Kissingerian balance of power policy, but he lacks the ability, the foresight, to see and deal with issues as a whole, in their interplay. Based on the Meadian typology,¹⁰ he is perhaps closest to Andrew Jackson's conception; but the America of the 1830s is not, of course, the America of the early 21st century, and the world power situation of that time is not similar to the international relations of today.

His foreign policy approach proved to be a dead end, insofar as U.S. global dominance (hegemony) can only be maintained, if at all, through a policy based on close alliance cooperation and multilateralism. After the Second World War, the United States was able to establish and maintain its international leadership by being a kind of 'benevolent' or 'supplier' hegemon. It occasionally made tactical concessions for strategic purposes, sometimes even willing to make concessions that did not serve its interests in the short term and/or directly, even though it could have imposed its will 'by force' on virtually any of its allies. It did not try to apply the cost–benefit principle in every single relation. Donald J. Trump, on the other hand, perhaps with an approach brought from business, had sought to do just that. It is a truism that in today's globalised world, many challenges can only be solved through international cooperation, and one of the basic rules of cooperation is that no one party can fully impose its will; a degree of compromise is always necessary. Trump was obviously right not to want to cooperate with certain corrupt international organisations that had become the playground of liberals, but in the case of China, for example, closer cooperation and coordination with allies would have seemed more appropriate. Keeping the other side in suspense is a tried and tested method – Eisenhower or Nixon used it effectively – but Donald J. Trump's too often changing position, for instance on Russia, proved to be counter-productive. President Trump's policies had also been made less effective by his numerous improvisations and lack of consistency. For example, during his first trip to Europe, he committed himself to the 'Three Seas Initiative' in

¹⁰ For more details see MEAD 2001.

Warsaw: but in contrast, in the remaining years of his presidency, there was little mention of the importance of cooperation with Central and Eastern Europe for the United States, and political and economic support for it was also lacking. If many elements of Donald J. Trump's domestic policy are acceptable and followable to the Republican Party and conservatives, there are far fewer in his foreign policy, with the exception of his refusal to interfere in the domestic affairs of other countries, including his allies, and his rejection of the 'democracy export' based on somewhat arbitrary principles of liberals and neoconservatives.

THE FUTURE OF 'TRUMPISM'

Donald J. Trump, as even many of his opponents admit, asked relevant questions, ignored by those in the political mainstream, on issues of relative urgency such as immigration, trade or even war in distant countries.¹¹ During the 2016 Republican primaries, he drew a sharp line between himself and the increasingly indistinguishable Democratic and Republican elites, both of which had shifted to the left (the Democrats had even drifted into so-called progressive thinking that borders on socialism). In doing so, he forced conservatism in America, on the one hand, and the Republican Party, on the other, into an unpleasant but perhaps necessary and timely choice. The Republicans, with their 'soft conservatism' (currently advocated by the 'Lincoln Project' and the 'Never Trumpers', which have rather weak public support), have only managed to win a majority of the votes once in the last eight presidential elections (in 1984); in the other cases, it was the electoral system that made it possible for a Republican president to move into the White House. The party's defeats in 2008 and 2012 were particularly disappointing, when two iconic figures of the Republican elite, John McCain and Mitt Romney, were defeated. The analysis carried out after the 2012 defeat (*Republican National Committee's Growth and Opportunity Project*¹² [*GOP Autopsy Report*]), rightly, proposed to broaden the voter base, but the

¹¹ On this, among the first, see ANTON 2016.

¹² Republican National Committee 2012.

party – if we look for analogies – tried to go in the direction of the British Conservative Party’s Harold Macmillan, i.e. to compete with the leading party of the left in expanding the welfare state and to propose traditional free market neoliberal economic policies. (In the words of Rod Dreher: they wanted to return to a ‘zombie Reaganism’.)¹³ All this at a time when millions of people had lost their jobs as a result of globalisation and free trade agreements that had not always benefited the United States, and a permissive, even naive, trade policy towards China. (One idea of pushing for Beijing’s accession to the World Trade Organization [WTO] was that the Chinese would terminate such unfair practices as dumping, currency manipulation, the theft of intellectual properties, and the like.) Donald J. Trump, by contrast, proclaimed a patriotic economic policy and pledged to improve the situation of the marginalised, largely white middle and lower middle classes and workers. All this had, somewhat simplistically, created a sharp fault line within the Republican Party. The ‘soft’ conservative elite was confronted by the party’s mainly white populist voters, who were looking for a solution to their dwindling financial resources, to the overt or more covert cultural attacks that had been made on them for decades, who felt that the party’s ruling elite did not care about them, did not protect them from the harmful effects of globalism or ‘positive discrimination’ (or its updated version of Diversity, Equity, Inclusion [DEI]), nor from attacks on their traditional values (family, religion). Donald J. Trump had become an advocate for the disillusionment and frustration of the latter voters – indeed, millions could identify with his tone (much criticised both at home and abroad) and unsophisticated views, despite the fact that Trump’s socio-economic background did not predispose him to be an advocate for a Pittsburgh steelworker, a Nebraska rancher, a Texas cattle rancher or the ‘values voters’ (white born – again Christians) – and in 2016, even a large part of the suburban, better-off and better-educated white population also sided with him. Moreover, in 2020, he was able to increase the number of Republican Party voters by roughly 10 million, and his relatively good record among blacks and Hispanics was particularly notable. Moreover, according

¹³ Quoted by SZILVAY 2021: 29–42.

to recent opinion polls, Donald Trump has been able to attract even more people of colour prior to the 2024 presidential election. Analogies are usually fallacious, and it is unlikely that Donald J. Trump have consciously adopted the political strategy of Franz Josef Strauss's CSU, or later Viktor Orbán's Fidesz: to ensure that there is no significant political force to the right of the party, meaning that the political forces to the right of centre should be brought together in a broad 'coalition'.

This division seems to persist within the conservative camp. According to various polls, roughly half of conservative-leaning Republican voters support the party because of Donald J. Trump, the other half because of traditional conservative values – without Trump.¹⁴ It seems clear that without a reconciliation of the two camps, Republicans will continue to have trouble winning a majority of the votes in national elections; however, there are hardly any signs indicating such a reconciliation. It seems unlikely that the 'baseball hatters', 'Nascar dads' and religious fundamentalists will accept the leadership of the RINOs (*Republicans in Name Only*), 'accidental conservatives', who are usually favoured by *The New York Times* and the *Washington Post*, and their ideology, which, in some cases, is almost indistinguishable from that of liberals. One could even argue in this context that the Democratic Party's 'secret weapon' is Donald J. Trump – the liberal side can keep the Republican Party divided through the mainstream media and other means. On the other hand, at the state and local government levels, thanks in part to the U.S. electoral system and the manipulative gerrymandering of constituency boundaries, the Republican Party has done better and may continue to do so in the near future.

The way out, in theory, could be a Trumpism without Trump, a 'more polished/elevated Trumpism';¹⁵ in other words, credible conservative politicians who are more or less politically acceptable to both camps, if not entirely, but more or less, who have higher intellectual level and better communication skills than the 45th President. Several Republican politicians are also testing the mood of the party's core voters in particular, and how

¹⁴ KESLER 2021.

¹⁵ MARIETTA-BARKER 2021.

to salvage policies that proved popular during Trump's presidency. Florida Governor Ron DeSantis, South Dakota Governor Kristi Noem, former UN Ambassador Nikki Haley, former Secretary of State Mike Pompeo, Arkansas Senator Tom Cotton are just some of the Republican politicians who could play a major national role in the future. However, so far no conservative think tanks emerged around the Republican Party except the Heritage Foundation, like the ones that provided effective support to contemporary politicians in the 1950s and 1970s. One of the main questions is whether a 'syncretic conservatism' or a more pronounced trend, that could even be called 'national conservatism', of which we find examples in Central Europe, would be the future of a Republican Party based on conservative ideology. If American conservatives can clarify this dilemma, thereby they could take a major step towards renewing the Republican Party once again in American history and offering a strong alternative to the leftward-shifting liberals.

THE TRUMP EFFECT AND HUNGARY

The presidency of Donald Trump and the policies he pursued undeniably improved U.S.–Hungarian relations. Strict border protection, the enforcement of legal immigration, the reduction of personal and corporate taxes, the favouring or 'empowerment' of domestic companies (patriotic economic policy), the pragmatic representation of the country's own interests without excessive ideological slant, the identity of views on many social issues (the central role of families, etc.), the rejection of the extremities of political correctness, the support of the principle of the nation as the primary frame of reference, the rejection of the deconstruction and 'backward reading' of history all brought the Republican administration and the centre-right Fidesz–KDNP government to a common platform. A key factor in improving bilateral relations had been Donald Trump's understanding that the United States had no role to play in actively and continuously criticising and lecturing other countries on democratic norms, or in ignoring the sovereignty of countries in general – each country is unique and each has its

own specificities, which contradict the ‘one size fits all’ principle of liberals and neoconservatives.

Hungary could potentially benefit in other areas as well from Trumpism becoming government policy. Among other things, the diversification of energy sources could be accelerated, reducing the overweight of Russian energy supplies. Under the Trump Administration, the U.S. emerged as a seller in the energy market; and in Central Europe, it emerged as an energy exporter in the region through LNG terminals in Poland and Croatia. Of course, in the case of Hungary, the impact has been negligible so far, but with the increase in U.S. gas production for export, this could change. However, the Democratic administration halted the construction of the Keystone XL pipeline, which would have brought Canadian gas to U.S. ports on the Gulf of Mexico coast and from there overseas. With the possible return of the Republicans to the White House, Trump’s energy policy could once again become a factor with its strategic and geopolitical implications.

On Donald Trump’s first trip to Europe, there was a strong focus on Central Europe. In his speech in Warsaw,¹⁶ the President recalled the ‘Intermarium’, in other words a closer cooperation between the states existing between the Baltic, Black and Adriatic Seas, which was conceived by Józef Piłsudski and which partly overlaps with Viktor Orbán’s concept of Central Europe, albeit with different strategic considerations. However, in this case, too, Donald Trump failed to translate his political vision into action, and tangible steps such as diplomatic support and greater U.S. involvement in infrastructure and other projects did not follow. One of the most important lessons from the first Trump Administration could be that legitimate questions, properly asked, need real answers – which would certainly require more discipline and consistency. A predictable U.S. foreign and security policy would be important for the allies; this is especially true for the Central European states, which essentially have to play politics and pursue national interests in a field of power defined by the EU, Russia, China and the United States.

¹⁶ NBC News 2017.

Regarding Hungary, the Trump effect, somewhat paradoxically, also manifested in the United States. Even before 2016, the Orbán Government did not have a good ‘press’ in the vast majority of the U.S. mainstream media – partly because of the Hungarian Prime Minister’s misunderstood and misinterpreted formulation of ‘illiberal democracy’, which was considered unusual in international political language. Viktor Orbán was one of the first world leaders to back Donald Trump, and the Hungarian Government subsequently refrained from criticising the Trump Administration, which became a kind of obligation in many Western countries. Inside the United States, the media campaign against the President effectively began at noon on 20 January 2017. The President’s perceived or real ideological and political allies had also become targets of the U.S. liberal electronic and print press on the basis of the ‘guilt by association’ principle, and had at times attacked the U.S. President through them. There was a schism within the Republican Party: on the one side, among others, there were the supporters of patriotic economic policies (protective tariffs where appropriate), of the fight against illegal immigration, of the opponents of extreme liberal ideological manifestations, of a more unambiguous assertion of American interests, of a realistic approach to international relations, all under the banner of ‘Trumpism’. On the other side, among others, were those who advocated traditional, middle-of-the-road Republican policies, such as free trade, ‘big-state conservatism’, multilateralism in international affairs, and the promotion and dissemination of liberal principles. The Fidesz–KDNP coalition is clearly ideologically closer to the former, and one could even risk the conclusion that many elements of ‘Trumpism’ were already present in Hungary before Donald Trump came to the White House.

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CONTEMPORARY PROGRESSIVE
LIBERALISM IN THE UNITED STATES

It is a truism in the history of political thought that the dominant national ideology of the United States, from the founding of the state, has been liberalism. Until the middle of the 20th century, the thesis that the various strands of American political thought could be regarded as variants of liberalism held sway. Over the past nearly two and a half centuries, however, the classical liberalism of the founding era has undergone significant changes, which have intensified since the ‘counterculture’ of the 1960s. Today we are once again living in an era of profound transformation of American liberalism, marked by the increasingly radical demands of progressive identity politics. This has led to serious tensions within the American liberal tradition, in that contemporary liberalism, with its strong leftward shift, has come into conflict with many of the classical liberal principles and values enshrined in the U.S. founding documents (freedom of conscience, freedom of opinion and expression, limited government, checks and balances). The outcome of the struggle between progressive and a more moderate classical liberalism, the nature of the new balance between the two, as well as the extent and form of their impact outside the country’s borders are still in question. Some trends associated with progressive liberalism have certainly emerged on the European continent, but, especially in East-Central Europe, their impact is likely to remain limited due to the different historical context and social environment. At the same time, through its impact on the self-image of the United States, its status as a great power and its perception by rivals, its willingness to act in international politics and the formulation of its goals, progressive liberalism is, to some extent, likely to influence the country’s foreign policy. In the near future, however, U.S. foreign policy thinking is more likely to be primarily shaped by the response to the great power challenge posed by China.

CLASSICAL LIBERALISM AS NATIONAL IDEOLOGY

Anyone who has read the famous second paragraph of the Declaration of Independence, which lists the truths that the American founders believed to be ‘self-evident’¹ or has at least a superficial knowledge of the work of John Locke, widely regarded as the founder of modern liberalism, will find it hard to doubt the statement of American historian Louis Hartz about the essentially liberal or Lockean character of the American political community. Hartz argues in his classic work on the history of ideas² that the absence of feudalism, being a defining feature of U.S. history, is responsible not only for the limited American presence of the revolutionary radical trends that developed in Europe in opposition to feudalism, but also for the reactionary trends (in the ideological palette of the 19th and 20th centuries: the Marxist socialist and conservative trends) that emerged in response to the latter. The tradition of American political thought analysed in detail by Hartz consists of left- and right-wing versions of the dominant Lockean liberalism, which, despite the existing internal tensions, permeate American society as a whole in the form of a ‘natural liberalism’ conceived as ‘the American way of life’, rather than as an explicit political ideology.³

Seymour Martin Lipset, in his equally famous work on ‘American exceptionalism’,⁴ describes the United States as a peculiar ‘creedal’ nation, and identifies the classic 18th–19th century version of liberalism as the basis of the creed that defines the country, including the Declaration of Independence. Lipset’s research on American exceptionalism was specifically based on the absence or weakness of a socialist or working class party or ideology in the U.S. (which he explained, among other things, by social mobility not limited

¹ Namely, that ‘all men are created equal’, that they have certain inalienable rights, such as the right to life, liberty and the pursuit of happiness, that the purpose of government is the defence of these rights, that the power of government is derived from the consent of the governed, and the right of the governed to resist any government that violates the foregoing.

² HARTZ 1955.

³ HARTZ 1955: 3–11.

⁴ LIPSET 1997.

by feudal traditions and the ethnic division of the working class).⁵ However, Lipset also adds, similarly to Hartz, that the American political tradition lacks not only socialism but also conservatism in the European sense. He agrees with Friedrich Hayek and others that American conservatives in the tradition of the Founding are in fact 19th century classical liberals.⁶

In the nearly two and a half centuries since the Founding, there have of course been significant changes in the ideological composition of the United States. From the 1930s, first with the reforms of the New Deal under President Roosevelt and then with the large-scale anti-poverty programs of the 1960s, the American left saw the emergence of elements of European-style social democracy, and today the growing influence of politicians such as Bernie Sanders and Alexandria Ocasio-Cortez mark the emergence of openly declared ‘democratic socialism’ on the ideological palette. However, the continuing relevance of the Hartz and Lipset thesis is shown by the fact that a leading figure in contemporary American conservative political theory, Patrick Deneen, also starts from their premise: namely, that the two dominant trends in American political thought represented by the major parties are in fact ‘two sides of the same coin’, namely of Lockean liberalism.⁷ Liberal political philosophy, according to Deneen

“has been for modern Americans like water for a fish, an encompassing political ecosystem in which we have swum, unaware of its existence. [...] [The United States is] the first nation founded by the explicit embrace of liberal philosophy, whose citizenry is shaped almost entirely by its commitments and vision.”⁸

However, the conservative proposition of breaking with the liberalism of the Founders – that has failed by now according to Patrick Deneen – is not the subject of this paper. In what follows, we will look at the recent changes in American left liberalism, which, as we will try to show, also represent a sharp reversal of the Founders’ ideals, which until recently were considered unquestionable.

⁵ LIPSET 1997: 33.

⁶ LIPSET 1997: 36.

⁷ DENEEN 2019: 18.

⁸ DENEEN 2019: 4–5.

PROGRESSIVE LIBERALISM AS
A 'SUCCESSOR IDEOLOGY'

Before turning to an examination of contemporary American progressive liberalism, some conceptual clarification seems necessary. So far, we have used the term 'liberalism' primarily in a political philosophical and intellectual history sense, when we talked about the overall 'national' ideology of the United States, covering the political community as a whole. In the following, we will turn to the everyday language of American political discourse, where the term 'liberal' usually refers to *one of the two* dominant political ideologies in the country, the left-leaning political ideology primarily associated with the Democratic Party (as opposed to the right-leaning conservatism associated with the Republican Party).

The central thesis of our paper is precisely the divergence between these two interpretations of liberalism. This distancing – in many cases an explicit confrontation – is of course also reflected in the use of concepts. One of the manifestations of this is the use of the term 'democratic socialism' as an ideological self-description by several political actors on the left, who are no longer marginalised. In our view, however, the 'democratic socialist' tendency can be interpreted at the moment more as a current of left liberalism in the former (party-political) sense, meaning that although it has a significant influence on the ideology of the contemporary American left/Democratic Party, democratic socialism by no means covers the whole of the left, and is perhaps not even the most important, characteristic part of it.

Perhaps the most certain sign of the linguistic-ideological confusion surrounding the transformation of contemporary American liberalism is the widespread use of the term 'successor ideology', the term first used by the American writer Wesley Yang to describe the new ideological formation that is gaining increasing influence among the cultural, media and academic elite.⁹ As we find the former term, while in many respects very apt, difficult to incorporate into academic discourse, we will stick to the term 'progressive

⁹ YANG 2021; SULLIVAN 2020a; DOUTHAT 2020.

liberalism’ in this paper, which we believe expresses both the liberal roots of the new ideology and its changed nature.

FREEDOM VS. EQUALITY

But before we start to examine progressive liberalism, we have one more task. We must try to answer, at least briefly, the question of what might have caused the change in the nature of American liberalism we shall describe below. The question, of course, can be asked in the vein of Patrick Deneen, like this: whether this is really a change in the nature of liberalism, or rather the unfolding of tendencies that have always been inherent in the basic assumptions of liberalism. Deneen is clearly in favour of the latter in his book *Why Liberalism Failed*, cited above, when he writes:

“Liberalism has failed—not because it fell short, but because it was true to itself. It has failed because it has succeeded in its effort to create a world of individuals and of a state that becomes ever more powerful as it protects their autonomy and equality. As liberalism becomes more fully itself, it generates endemic pathologies more rapidly and pervasively. Liberalism is not a neutral arbiter but a precommitment to a particular vision of the world.”¹⁰

A definitive answer to these questions is beyond the scope of this paper. Here we can only attempt to draw attention to a feature of modern liberalism which could easily become the starting point of the phenomena presented later, which is the unstable balance between equality and freedom in the liberal tradition.

Louis Hartz warns in his aforementioned book that Lockean liberalism contains the seeds of conformism, since “natural law tells equal men equal things”. The biggest threat Hartz sees is not the notorious ‘tyranny of the majority’, but the ‘censorship of opinion’ that demands unanimity from

¹⁰ DENEEN 2019: 3.

citizens precisely in the name of the prevailing liberalism. The ‘tyrannical impulse’ lurking deep within the uniformly liberal American political culture can thus make liberalism a threat to freedom.¹¹

Alexis de Tocqueville (on whom Hartz draws), considered by many to be the most perceptive observer of American society to date, writes at length about the complex relationship between freedom and equality in modern democratic societies. Tocqueville is in no doubt that the latter of the two, equality, is the “principal passion” of the age, that the citizens of democratic societies have a “much more ardent and tenacious” love “for equality they have an ardent, insatiable, eternal, invincible passion”.¹² Moreover, the love of equality is growing dynamically in democratic societies:

“The hatred that men bear for privilege is increased as privileges become rarer and less great [...] the smallest dissimilarity appears shocking in the midst of general uniformity; the sight of it becomes more intolerable as uniformity is more complete. It is therefore natural that the love of equality grow constantly with equality itself [...]”¹³

The American political scientist Peter Berkowitz, in his analysis of some of the major policy debates of recent decades (abortion, affirmative action, same-sex marriage) and the Supreme Court practice that has usually decided them, has come to the following four conclusions, which are very much in line with Tocqueville’s judgment: 1. the central tenet of American constitutional culture revolves around the concept of ‘equality in freedom’; 2. the Constitution upholds a progressive interpretation of freedom, wherein government, guided by an expansive view of equality, is tasked with continually enlarging the domain of individual liberty; 3. this understanding of individual freedom is inherently precarious, as its expansion, lacking a defined endpoint, generates new demands for further expansion; 4. the perpetual enlargement of individual freedom may eventually lead to

¹¹ HARTZ 1955: 11.

¹² TOCQUEVILLE 2000: 406–409.

¹³ TOCQUEVILLE 2000: 567.

authoritarian and anti-democratic actions that jeopardise freedom itself. Berkowitz's 2005 text became famous for predicting the Supreme Court's enshrinement of same-sex marriage as a fundamental right, which did indeed happen 10 years later.¹⁴

So, Patrick Deneen might be right insofar as the root of the current problems of American liberalism is to be found within the liberal ideological framework itself. However, this does not necessarily imply, in our view, that recent changes in American liberalism are both inevitable and irreversible, nor that there is any non-liberal alternative (at least in the classical sense) for the American political community. How the latter issues are perceived has a major impact on the likely direction of U.S. policy, including the change in the status of the United States as a great power and its impact on Central and Eastern Europe, including Hungary. We will therefore return to this key, albeit currently very vague, question at the end of this paper. But first, we will try to take stock of some of the defining features of contemporary American progressive liberalism, and show how the distorted balance between equality and freedom leads to an increasingly open confrontation with classical liberal principles.

In the following, we will try to draw the ideological profile of progressive liberalism by describing its relationship to the American Founding; the attitudinal changes that have taken place within the Democratic Party's voter base since the early 2010s, the so-called 'Great Awakening'; its roots in the American academic community; and the critical race theory that is the direct background of some of the current ideological changes. In doing so, we will try to use sources either belonging to the tendency itself, or critical of it, but still belonging to the broader liberal side, avoiding the possible bias of conservative approaches. The only exceptions to this are where a non-liberal author has contributed insights to the discourse on progressive liberalism that we believe greatly advance our understanding of it.

¹⁴ BERKOWITZ 2005.

1619 VS. 1776

The founding of the republic, the founding documents (the Declaration of Independence and the Constitution) and their authors, the Founding Fathers, have always occupied a unique place in American political culture, with their imprint everywhere from the architecture of the capital to elementary and secondary school curricula to popular culture. With this in mind, it becomes understandable why the social, political and academic debate surrounding the ‘1619 Project’, published in *The New York Times Magazine* as a special edition on 14 August 2019, has been so intense.¹⁵ August 1619 is the supposed date of the arrival of the first ship carrying African slaves to colonial Virginia, and the 400th anniversary of this historic event was the inspiration for the project. But the project’s objectives went far beyond mere commemoration: the nation’s leading daily newspaper, which has a decisive influence on the intellectual discourse, intended, as the introduction to the series of articles states, to do no less than “reframe the country’s history” by placing slavery and its consequences at the centre of the American national narrative.¹⁶ In a commentary on the articles, the editor of the issue explains that the aim is to replace the official date of birth of the country, 1776 (the year of the Declaration of Independence), with a new date:

“[Slavery] is sometimes referred to as the country’s original sin, but it is more than that: It is the country’s very origin. Out of slavery — and the anti-black racism it required — grew nearly everything that has truly made America exceptional: its economic might, its industrial power, its electoral system, its diet and popular music, the inequities of its public health and education, its astonishing penchant for violence, its income inequality, the example it sets for the world as a land of freedom and equality, its slang, its legal system and the endemic racial fears and hatreds that continue to plague it to this day. The seeds of all that were planted long before our official birth date, in 1776, when the men known as our founders formally declared independence

¹⁵ The New York Times Magazine 2019.

¹⁶ The New York Times Magazine 2019.

from Britain. The goal of The 1619 Project is to reframe American history by considering what it would mean to regard 1619 as our nation's birth year.”¹⁷

The 1619 Project proved to be a great success in many ways. The progenitor, lead author and later face of the venture, Nikole Hannah-Jones was awarded the Pulitzer Prize,¹⁸ the most prestigious journalism award in the U.S., for her work. She and her fellow authors promoted their work through dozens of media appearances, conferences and public meetings, and the educational materials based on the project's content have become official curricula in thousands of primary and secondary schools across the country.¹⁹

However, the acclaim surrounding the project has been mixed with criticism from the outset. In the 29 December 2019 issue of *The New York Times*, five leading historians, eminent experts of the founding era, published a letter to the editor in which they expressed reservations about the content of the project, while also formulating specific demands for correction. The writers of the letter welcomed the effort to explore the role of slavery and racism in American history. As they noted, the issue has been an important part of all their work, including some who have devoted their entire professional careers to it. However, they were disappointed by the factual errors in the project, which they felt could not be attributed to interpretation or “framing” only. These were seen as evidence pointing to the “displacement of historical understanding by ideology.”²⁰

The editorial response accompanying the historians' letter at this stage rejected the demands for correction and stood by the published material in both concept and detail.²¹ In light of this, it is somewhat surprising that after a few months, on 11 March 2020, the editors informed readers that, after extensive consultation with other historians, they had corrected at least one sentence in the online version of Nikole Hannah-Jones's introductory essay, indicating that the preservation of the institution of slavery was not

¹⁷ SILVERSTEIN 2019b.

¹⁸ BARRUS 2020.

¹⁹ Pulitzer Center s. a.

²⁰ BYNUM et al. 2019.

²¹ SILVERSTEIN 2019a.

generally among the objectives of the American colonists fighting for their independence, but only among the objectives of ‘some’ of them.²²

But the controversy surrounding the 1619 Project did not end there. In September 2020, an article in the online magazine *Quillette* pointed out that the material for the project had been altered in several places since its publication, without this being brought to the attention of readers (as is customary for a publication such as *The New York Times*, which places high value on its credibility). The changes concerned the phrases calling 1619 the “true founding” of the country, or “the moment it began”, which, according to the author of the article, have disappeared from the various platforms, in a manner reminiscent of Orwell’s novel 1984.²³ The editor concerned responded to the allegations in another (now the third) lengthy note, where he attributed the changes to trivial changes customary in digital publications and argued, like Nikole Hannah-Jones, who also spoke on the matter, that the suggestion to change the date of the founding of the state had always been understood ‘metaphorically’.²⁴

However, as has been pointed out, the debate about the ‘real’ date of the founding is essentially metaphorical in nature, in that the original date, traditionally considered valid, is also primarily a ‘metaphor’.²⁵ The debate is really about which interpretation of American history to accept and what to think about the principles enshrined in the founding documents, in other words, about the American tradition of classical liberalism.²⁶ Until recently, the generally accepted interpretation, even among progressive historians (including many critics of the 1619 Project) has been that American history is a story of the ongoing struggle to implement the classical liberal principles (‘equality in liberty’) laid down by the founders. Although these principles were not perfectly lived up to by the founders themselves or by the generations that followed them, they have always been and remain the guiding stars and defining characteristics of the ‘American experiment’.

²² SILVERSTEIN 2020a.

²³ MAGNESS 2020.

²⁴ SILVERSTEIN 2020b.

²⁵ STEPHENS 2020.

²⁶ SERWER 2019.

It was this historical-ideological narrative that the 1619 Project sought to ‘deconstruct’ or override, as first admitted, but later partly withdrawn in response to criticism (the founding ideals of liberty and equality, when written down, were false, said Nikole Hannah-Jones on the first page of her introductory essay).²⁷ A historical-political assessment of the 1619 Project, which undoubtedly sheds new light on important parts of American history while setting radically new emphases, is beyond the scope of this paper. What we can say with relative confidence, however, is that it represents a clear break with the assumptions and dominant ethos of American classical liberalism, which until recently has been widely shared.

THE ‘GREAT AWOKENING’

Although the 1619 Project’s attempt to place the issues of slavery and racism at the absolute centre of the American historical-political experience is debatable in many respects, the deep influence of the former on the development of American society can hardly be questioned. As before, it seems best to turn to Alexis de Tocqueville for guidance on the question. Tocqueville clearly saw that the institution of slavery could not be maintained in a modern democratic society, and that its abolition and the eradication of its consequences would be an almost insurmountable task for the country.

“Slavery contracted to a single point on the globe, attacked by Christianity as unjust, by political economy as fatal; slavery, in the midst of the democratic freedom and enlightenment of our age, is not an institution that can endure. It will cease by the deed of the slave or the master. In both cases, one must expect great misfortunes.”

– he writes, raising the possibility of the “most horrible of all civil wars”.²⁸ The slaveholding past and the legacy of racial discrimination that survived the Civil War cast a dark shadow over American history, and also on

²⁷ STEPHENS 2020.

²⁸ TOCQUEVILLE 2000: 285, 283.

American society today. There is a strong case to be made that the trajectory of American liberalism in recent years has been shaped in large part by this historical legacy.

In 2019, Matthew Yglesias, then a contributor to the website *Vox*, one of the most important forums for progressive liberalism, summarised the changes in thinking and attitudes that radically transformed the ideological profile of the Democratic Party in an article that is still widely quoted today.²⁹ The essay is entitled *The Great Awakening*, referring to both the widespread name of the new ideology ('wokism') and its quasi-religious character. The main claim of the article is that the most significant change in American politics in recent times is not the rise of a populist right associated with Donald Trump, but a radical shift in the values of the liberal left, especially attitudes towards racism and racial discrimination.³⁰

Yglesias dates the beginning of the process to 2014 (during Barack Obama's presidency) and links it to the protests against police violence in Ferguson, Missouri, following the death of Michael Brown, which were amplified by social media on an unprecedented scale (the nationwide expansion of the *Black Lives Matter* movement, which played a significant role in the following years, is linked to this event as well³¹). From about this time onwards, the perception of racial inequality and discrimination among the Democratic Party's base of mainly white liberal voters fundamentally changed. This can be measured by responses to poll questions such as whether further action is needed to achieve racial equality; whether racial discrimination is the main reason why black people cannot get ahead in life; and whether black people have a right to claim special treatment to overcome prejudice (the proportion of respondents answering yes to each of these questions has increased significantly in recent years). Quoted by Yglesias, Zachary

²⁹ YGLESIAS 2019.

³⁰ A similar argument has been made by left-wing journalist Kevin Drum in a blog post, when he writes that the 'culture war' that has divided American public life to the extreme was actually started by the liberal side (DRUM 2021).

³¹ See especially the unprecedented wave of national protests following George Floyd's killing by a police officer in the summer of 2020, which was captured on video (TAYLOR 2020).

Goldberg points out, based on his research on the subject, that on these issues white liberal voters are not only divided from society as a whole, but in many cases also from the views of the minorities concerned (blacks, or Latinos on immigration, for example) (i.e. they are more likely to support the progressive alternative than members of the minorities affected).³²

Yglesias also discusses in his article the role of the socio-political elite in the changes described. In his view, it is a two-way, mutually reinforcing process: voters are largely following signals from the elite, while members of the elite are trying to keep pace with the voters or, if possible, anticipate changes in partisan public opinion. As an example of the role of the elite, Yglesias cites the proliferation of the term 'systemic racism', first used by Hillary Clinton in her 2016 election campaign, which has become a standard part of the Democratic Party discourse by the 2019–2020 primaries.

THE GREAT 'CLOSING'

One of the most respected journals of opinion in the world, *The Economist*, devoted the front page of one of its recent issues to the threat posed by the 'illiberal left'.³³ The editors' use of the phrase is instructive in itself, in that they refuse to label the movement they refer to as 'liberal', reserving the latter term for the 'classical liberalism' they represent. It is precisely this classical liberalism that they see as being threatened by the new ideology they criticise. Two long essays on the subject are included in the issue, the first of which finds the intellectual roots of 'left-wing illiberalism' on the campuses of the American elite universities responsible for training and recruiting the socio-political elite, from where graduates take it with them to the dominant institutions of economic, cultural and political life.³⁴

The phenomenon is not new. The political philosopher Allan Bloom, in his 1987 book *The Closing of the American Mind*, blamed the intellectual and moral relativism prevalent in academia for the spread of nihilism in

³² GOLDBERG 2019.

³³ The Economist 2021a.

³⁴ The Economist 2021b.

American society three and a half decades ago. In Bloom's view, since the social movements of the 1960s, academic intellectuals seeking to accommodate the demands of various racial and gender identity groups, following the lead of Nietzsche, European poststructuralist philosophy and critical social theory, have rejected the classical philosophical program of the search for universal truth, denying university students the experience of learning the wisdom of the 'great books' of the Western tradition and thus plunging American society into a general crisis of values.³⁵

It is no coincidence that the book by social psychologist Jonathan Haidt and lawyer-activist Greg Lukianoff, written on the crisis of American universities in the 2010s is entitled *The Coddling of the American Mind*, recalling the title of Bloom's work. However, Haidt and Lukianoff argue that the reasons for the academic illiberalism they criticise are primarily to be found in the 'therapeutic' culture that has long dominated the education of young people in America, which seeks to protect them from psychological harm by creating *safe spaces*, avoiding disturbing topics or readings, and providing them with *trigger warnings*.³⁶ However, the ever more radical, sometimes violent university demonstrations of recent years,³⁷ and the street protests in the summer of 2020 seem to support Allan Bloom's analysis – with the addition, anticipated by Bloom, that the wisdom of the classical tradition is being replaced in the minds of young people seeking meaning in their lives by more recent ideas of *social justice*.

The American universities of today are less characterised by the moral relativism of *anything goes* and more by the dominance of a very powerful and rigid system of thought, the name of which is constantly changing (from political correctness to identity politics to woke ideology), but the contours of which are becoming more and more distinct. Looking back from today, the relativising, or (in post-structuralism's preferred term) 'deconstructing' efforts of the past period were primarily aimed at dismantling the existing

³⁵ BLOOM 1987. Christopher Caldwell's recent book also traces many of the crisis phenomena in contemporary American politics to the socio-political changes of the 1960s (CALDWELL 2020).

³⁶ LUKIANOFF–HAIDT 2018.

³⁷ See e.g. STANGER 2017.

classical liberal consensus, which has by now been replaced by the new successor ideology. For the latter, the basic tenets of classical liberalism, such as freedom of conscience, opinion and expression, freedom of scientific research and debate, and the principle of tolerance of dissent are merely ideological constructs to conceal and maintain the power relations (systemic racism and white supremacy) behind them.³⁸

CRITICAL RACE THEORY

All of this bears striking similarities, albeit more structural than substantive, with the basic tenets of Marxism (the division of society into oppressors and oppressed, the assumption of antagonistic conflict between them, the ‘false consciousness’ propagated by the oppressors to maintain their own power, the program of radical, revolutionary transformation of society).³⁹ However, the economically defined class conflict of Marxist theory has been replaced by the irresolvable conflict between marginalised racial, ethnic and gender identity groups and the beneficiaries of ‘white supremacy’. A historical-ideological link between the two schools of thought can also be traced through the significant influence of Herbert Marcuse and Theodor Adorno on American intellectual life, and the Marxist-inspired critical social theory of the European philosophers of the Frankfurt School.

The relevant critical theory in this case is ‘critical race theory’, which has grown out of a branch of critical legal theory, combining a scientific approach with political activism, and which starts from the inadequacy of classical liberal legal institutions in addressing racial inequalities, and aims

³⁸ A useful summary of the recent changes in American university departments, especially in the social sciences and humanities, is provided in the book *Cynical Theories. How Activist Scholarship Made Everything about Race, Gender, and Identity – and Why This Harms Everybody* by Helen Pluckrose and James Lindsay (PLUCKROSE–LINDSAY 2020), who caused an outcry a few years ago by publishing hoax papers in prestigious academic journals. On the earlier scandal see LINDSAY et al. 2018.

³⁹ Cf. HAZONY 2020.

to reveal and dismantle the hidden structures of racial oppression.⁴⁰ The theory was later supplemented by the concept of ‘intersectionality’, which describes an interlocking system of oppression based on different group identities, and extends the insights about racial discrimination to members of other social groups.

For the proponents of critical race theory, empirically detectable racial (ethnic, gender) inequalities are *always*, by definition, the result of discrimination. If neutral (or apparently neutral), colour blind policy solutions (such as standardised university admission tests) do not achieve the desired goal of eliminating racial inequalities, they should be replaced by various forms of affirmative action. In the words of perhaps the most important theorist of the movement, Ibram X. Kendi:

“The opposite of ‘racist’ isn’t ‘not racist.’ It is ‘antiracist.’ [...] The claim of ‘not racist’ neutrality is a mask for racism. [...] The common idea of claiming ‘color-blindness’ is akin to the notion of being ‘not racist.’ [...] The language of color blindness – like the language of ‘not racist,’ – is a mask to hide racism.”⁴¹

Those who do not share the assumptions of critical race theory, and do not actively work in its spirit to dismantle the hidden structures of racism, are themselves supporting the maintenance of those structures, and are therefore (according to the author, not in a pejorative, but in a strictly descriptive, objective sense) racists.⁴²

In response to a question from the online magazine *Politico*, seeking solutions to the social problems facing America from today’s leading thinkers,⁴³ Ibram X. Kendi proposed a new constitutional amendment and the creation of a new federal authority. The proposal is worth quoting in its entirety because it summarises the political claims of the new ‘anti-racist’

⁴⁰ CRENSHAW et al. 1996; DELGADO–STEFANCIC 2017.

⁴¹ KENDI 2019a. 9–10.

⁴² KENDI 2019a.

⁴³ Politico Magazine 2019.

ideology in a relatively concise and credible way – and also demonstrates convincingly its anti-liberal character in the classical liberal sense:

“To fix the original sin of racism, Americans should pass an anti-racist amendment to the U.S. Constitution that enshrines two guiding anti-racist principles: Racial inequity is evidence of racist policy and the different racial groups are equals. The amendment would make unconstitutional racial inequity over a certain threshold, as well as racist ideas by public officials (with “racist ideas” and “public official” clearly defined). It would establish and permanently fund the Department of Anti-racism (DOA) comprised of formally trained experts on racism and no political appointees. The DOA would be responsible for preclearing all local, state and federal public policies to ensure they won’t yield racial inequity, monitor those policies, investigate private racist policies when racial inequity surfaces, and monitor public officials for expressions of racist ideas. The DOA would be empowered with disciplinary tools to wield over and against policymakers and public officials who do not voluntarily change their racist policy and ideas.”⁴⁴

Perhaps one does not have to be biased against the author or critical race theory to observe that the above proposal, while completely ignoring classical liberal principles of individual rights, freedom of conscience and opinion, and limited government based on representation, also contains elements tending towards totalitarianism, especially when read from an East-Central European perspective.⁴⁵

But totalitarian socialism is not the only analogy that springs to mind – and, in the case of the United States, perhaps not the most apt. As several analysts have pointed out, the woke ideology is rich in elements reminiscent of medieval and early modern Puritan religious practice, such as the doctrine of original sin, unquestionable dogmas and beliefs, strict rules of conduct and speech, the requirement of orthodoxy, the practice of

⁴⁴ KENDI 2019b.

⁴⁵ See also SULLIVAN 2019.

excommunication and proselytisation.⁴⁶ The quasi-religious character of contemporary progressive liberalism also reinforces its opposition to classical liberalism, which defined itself at its inception in opposition to state religions.

CANCEL CULTURE

The specific area where contemporary progressive liberalism most often and most openly comes into conflict with the principles of classical liberalism is the freedom of conscience, opinion and expression. There is now an almost endless list of journalists and public figures who have suffered serious attacks, often resulting in the loss of their jobs or positions, for some ill-judged or offensive statement, sometimes made years ago, or for political views that offend the sensibilities of the new ideology's adherents.⁴⁷ The ruthless severity of the reactions to such breaches of the norm (or even just suspicions of them) was the subject of a lengthy essay by Anne Applebaum in *The Atlantic*. The practices and procedures followed in elite cultural institutions and described in the article, which for the author are reminiscent of the former communist regimes of Central and Eastern Europe and the China of the Maoist Cultural Revolution, have in common that they are in sharp contrast to classical liberal principles such as the presumption of innocence or the right to a fair trial.⁴⁸

The existence of university cancel culture, already amply documented in anecdotal form,⁴⁹ was empirically confirmed by one of today's most respected political scientists, Pippa Norris, who found survey evidence that conservative lecturers and researchers in U.S. and Western European universities regularly feel they have to keep their opinions silent.⁵⁰

⁴⁶ The Economist 2021c; DERESIEWICZ 2017; MCWHORTER 2017.

⁴⁷ Just a few examples from the year 2020: DOUTHAT 2020; WEISS 2020; SULLIVAN 2020b; GREENWALD 2020; TAIBBI 2020.

⁴⁸ APPLEBAUM 2021.

⁴⁹ See for example MCWHORTER 2020.

⁵⁰ NORRIS 2023.

In the summer of 2020, dozens of well-known, predominantly liberal intellectuals published an open letter in the pages of the prestigious *Harper's Magazine*, in which they spoke out against the increasingly anti-liberal climate of opinion in the United States. Signatories, who also criticised Donald Trump and the radical right, said that the necessary confrontation with racial and social injustice

“has also intensified a new set of moral attitudes and political commitments that tend to weaken our norms of open debate and toleration of differences in favor of ideological conformity. [...] censoriousness is also spreading more widely in our culture: an intolerance of opposing views, a vogue for public shaming and ostracism, and the tendency to dissolve complex policy issues in a blinding moral certainty. [...] Editors are fired for running controversial pieces; books are withdrawn for alleged inauthenticity; journalists are barred from writing on certain topics; professors are investigated for quoting works of literature in class; a researcher is fired for circulating a peer-reviewed academic study. [...] Whatever the arguments around each particular incident, the result has been to steadily narrow the boundaries of what can be said without the threat of reprisal.”⁵¹

The recurring counterarguments that these cases involve not state sanctions, but private acts, which also fall within the scope of freedom of expression, lose much of their credibility in the light of Ibram Kendi's above mentioned proposal. However, that credibility is not very strong anyway. Liberalism's classic arguments for pluralism of opinion, (among others by John Stuart Mill), defend the maintenance of the possibility of free debate as a guarantee of finding the truth, and it is easy to see that these arguments are as valid for public as for private actors. For many representatives of contemporary progressive liberalism, however, free debate is not a means of discovering the truth, but of silencing marginalised groups and maintaining white supremacy.

⁵¹ A Letter on Justice and Open Debate. *Harper's Magazine*, 7 July 2020. Due to the large number of signatories and their high profile, it would be difficult to single out just a few names, but the full list can be found on the *Harper's Magazine* website.

THE FUTURE OF PROGRESSIVE
LIBERALISM IN THE UNITED STATES

Before concluding our study by attempting to assess the impact of American progressive liberalism outside the United States, it is worth considering the prospects for this ideological movement in the U.S. While we cannot know at this stage how politically successful today's progressive liberal aspirations will prove in the longer term, there are signs that progressive identity politics is far from being supported by the majority of the electorate. The opinion polls drawing very similar conclusions in this respect have from time to time been confirmed by election results as well.⁵² A case in point is the November 2021 Virginia gubernatorial election. In a state that has been leaning Democratic for years, where Joe Biden won the 2020 presidential election by a convincing 10% margin, the Democratic candidate, previously considered a shoo-in, suffered an unexpected defeat at the hands of his Republican challenger, whose key campaign promise was to end the teaching of critical race theory in primary and secondary schools.⁵³ The emergence of critical race theory (or more precisely, the curricula inspired by it) in schools, coupled with the restrictions imposed by the coronavirus pandemic, had sparked a nationwide movement of parental protest over the previous year, which, in the peculiarly American tradition of self-government, was embodied primarily in conflicts over local school boards.⁵⁴ The election results of 2 November 2021 showed a significant drop in support for the Democratic Party in other states as well.⁵⁵ The main reason for the Democrats' poor showing, according to many analysts, was the party's leftward turn and the disconnect between its ideological objectives and the thinking of the majority of voters, including a significant proportion of minority voters.⁵⁶

⁵² MOUNK 2018; LIZZA 2020; EDSALL 2021a.

⁵³ LERER 2021b; UNGAR-SARGON 2021.

⁵⁴ LERER 2021a; GONZALEZ 2021.

⁵⁵ MARTIN-BURNS 2021; EDSALL 2021b.

⁵⁶ The New York Times 2021; DOUTHAT 2021; PBS News 2021.

The future success of the progressive liberal successor ideology may also be influenced by the growing opposition to it in the moderate liberal centre of American intellectual life, of which there have also been increasing signs recently.⁵⁷ Manifestations of this opposition include, among others, the open letter in *Harper's Magazine*, *The Economist's* aforementioned piece on the dangers of the illiberal left, or the new book by the renowned African-American linguistics professor John McWhorter, which criticises the woke ideology from the perspective of blacks in America.⁵⁸ It is worth recalling here that the progressive advance of the 1960s in the United States was followed by a 'neo-conservative' turn in the 1970s, in large part initiated by disillusioned liberal intellectuals, which led to the election of Ronald Reagan as president at the end of the decade and the dawn of a new conservative era.

THE IMPACT OF PROGRESSIVE LIBERALISM OUTSIDE THE UNITED STATES

"Just as American Marxists and neo-Marxists were successful in disrupting and dismantling many of the customs and institutions of their country, they will try to copy their success in other democratic nations. No free nation is exempt from this challenge. So let's not turn our backs and tell ourselves that it can't happen here. Because it can, and it will" – writes Israeli-American political philosopher Yoram Hazony in an essay on what he calls the 'Challenge of Marxism'.⁵⁹ We have mentioned before that, while the parallels are undoubtedly real, we are not necessarily sure that the rise of Marxism is the best explanation for the emergence of progressive liberalism. In a similar vein, we believe that while we should take Hazony's warning seriously, there is reason to doubt the inevitability of the prophecy it contains.

⁵⁷ SULLIVAN 2021.

⁵⁸ MCWHORTER 2021. McWhorter has recently been given a column in *The New York Times*, a bastion of progressive liberalism.

⁵⁹ HAZONY 2020.

The most important aspect to take into account when assessing this question is that American progressive liberalism, as we have seen so far, is very closely linked to the country's special, unique characteristics (one could say that progressive liberalism itself is part of 'American exceptionalism'). Foremost among these unique circumstances is the legacy of slavery and racial discrimination going back to the founding of the country (or, as we have seen, even earlier), which provides the crucial component of the moral driving force of contemporary 'anti-racist' politics. However, we must also include here the special nature of the American liberal tradition, with the prominence given to equality and also the highly moralised character of American liberalism inherited from New England Puritanism. Moral movements, often on a mass scale, such as the successive waves of religious 'Great Awakenings' (or, the somewhat more prosaic constitutional prohibition of alcohol introduced in 1920) can be considered constant features of the country's history. A social movement like the one we are witnessing today, which seeks to radically transform American society, while at the same time dividing it to the extreme, was last seen in the 1960s and, as mentioned earlier, it is still having an impact today.

Although the influence of American progressive liberalism has been felt in European politics as well, not least thanks to the influence of American popular culture and the emergence of a global economic-cultural elite (what American economist Tyler Cowen calls the 'international progressive class'⁶⁰), the very different social context and historical traditions make it questionable whether it will be able to develop in Europe in a similar form to the U.S. The chances of this are greater in countries where similar factors (e.g. 'guilt' from a colonial past or other historical reasons, racial-ethnic tensions within the society) are conducive to it,⁶¹ but even there it is less likely to be able to achieve a dominance similar to that achieved overseas, in the absence of the specifically American constellation of factors mentioned above.

⁶⁰ COWEN 2021.

⁶¹ ONISHI 2021.

The latter considerations are probably particularly valid for the Central and Eastern European countries with recent experience of totalitarian politics, including Hungary. According to Joseph de Weck and Niall Ferguson's 2019 analysis, while 'Millennials' and members of 'Generation Z', who would be key to the spread of progressive liberalism in Europe, share similarities with their American counterparts, they are less likely to have attitudes associated with woke ideology (such as support for increased state redistribution or open immigration policies). This is especially the case in East-Central Europe.⁶² Eszter Kováts, in her 2019 study, while also drawing attention to the role of popular culture in this field, and acknowledging that certain manifestations of woke activism have appeared in Hungary, argues that their weight in Hungarian political-cultural life is still small.⁶³

The events of the 1960s and 1970s, mentioned earlier, can also be a good starting point for assessing the impact of progressive liberalism on U.S. foreign policy. The upheavals in U.S. domestic politics, culminating in the impeachment of Richard Nixon and the resignation of the President, contributed significantly to the country's loss of self-confidence and capacity to act on the international stage, which also had an impact on the great power competition with the Soviet Union. The shaking of the traditional faith in the moral foundations of the country, as recognised at the time by Henry A. Kissinger, made it very difficult to mobilise the political support that was needed for an effective foreign policy on the part of the United States.⁶⁴

While the phenomena associated with the ideology of progressive liberalism also appeared in the foreign policy and national security apparatus of the United States – like in other elite institutions with highly qualified staff⁶⁵ – and we can find examples of their influence on the objectives and instruments of U.S. foreign policy (even under Republican administrations that would otherwise oppose such aspirations),⁶⁶ the most important

⁶² WECK–FERGUSON 2019.

⁶³ KOVÁTS 2019, 325–338.

⁶⁴ MÁNDI 2008: 65–79.

⁶⁵ KURTZLEBEN 2021; BORGER 2021.

⁶⁶ Cockburn 2021; HANANIA 2021.

foreign policy impact of progressive liberalism, if it continues to gain ground, would, in our view, not be the aggressive assertion of such objectives, but the intensification of isolationist tendencies. In foreign policy, the woke Democrats would probably have much in common with the so-called ‘San Francisco Democrats’ described by Jeane Kirkpatrick, one of Ronald Reagan’s most important foreign policy advisors, in a speech at the 1984 Republican National Convention (a term that referred both to the location of the Democratic Party convention of the same year, as well as to the city’s progressive reputation). According to Kirkpatrick, the San Francisco Democrats are those, who “always blame America first”, and who in international conflicts usually take the side of the opponents of the United States. Perhaps the most important line of the speech is a quote from the French philosopher Jean-Francois Revel: “A civilization that feels guilty for everything it is and does will lack the energy and conviction to defend itself.”⁶⁷

However, the unfolding of the current great power conflict with China could also have implications for the future of progressive liberalism in the United States. Louis Hartz, quoted at the beginning of this paper, noted that military and ideological challenges from outside have a particular mobilising force on American society.⁶⁸ If we look back again to the experience of the 1970s and 1980s, we can see that the reaction to the Cold War conflict with the Soviet Union contributed greatly to overcoming the social divisions and crisis of the previous decade.⁶⁹

For all these reasons, the turn in U.S. foreign policy thinking in recent years – both at the level of the political elite and the public – with regard to the relationship with China is remarkable. As Peter Berkowitz (who served as the Director of Policy Planning at the Department of State under Secretary of State Mike Pompeo during the Trump Administration), quoted above in another context, points out in a recent article: the Biden Administration’s

⁶⁷ KIRKPATRICK 1984.

⁶⁸ HARTZ 1955: 12.

⁶⁹ The Ukrainian–Russian war that unfolded after the first draft of the manuscript was completed, and the resulting intensified confrontation with Russia, may also play a similar role in influencing U.S. domestic policy.

China policy shows considerable continuity with the Trump Administration's ambitions, in that, in a break with the practice of previous decades, China is no longer seen as a strategic partner but as the most important rival of the United States.⁷⁰ The shift in the thinking of the U.S. foreign policy elite coincides with developments in broader American public opinion, which, overcoming the deep partisan and ideological divisions on other issues, has become virtually united in confronting the threat posed by China as a rival superpower.⁷¹

All this suggests that, if not the foreign policy apparatus, American strategic thinking has so far remained largely free from the encroachment of progressive liberalism. For Central and Eastern Europe, and Hungary in particular, this may mean that while some of the demands of progressive liberalism may appear in U.S. foreign policy, its main guiding principle in the near future is likely to be the rivalry with China, and its expectations towards its allies will most probably be related to this as well. The international impact of American progressive liberalism is more likely to be felt through soft power channels, such as popular culture and the influence of elite thinking, but this may also be limited by the different social and historical context and the uncertain future of progressive liberalism in the U.S. itself. However, in the event of the eventual failure of the 'successor ideology', given the deep-rooted ideological character of American society, it is still unlikely that there will be a breakthrough of traditional European-style conservatism in the U.S., but rather a revival of some renewed form of American 'classical liberalism'.

⁷⁰ BERKOWITZ 2021.

⁷¹ GALSTON 2021. It is worth highlighting some of the data from the polls the author has cited: 89% of U.S. citizens consider China an enemy or rival, 67% have a negative opinion of China, 63% rate China's growing economic power as a 'critical threat' to the U.S., and a similar proportion support measures such as excluding Chinese companies from developing U.S. telecommunications infrastructure.

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THE POWER OF THE COURTS,
THE COURT OF THE POWERFUL –
REFORMING THE U.S. SUPREME COURT?

INTRODUCTION

In recent decades, the courts have played an increasingly prominent role in both European and American politics. The merging of the legislative and executive powers has enhanced the role of the high courts as a constitutional counterweight. After the Second World War, Europe's political elites felt a deep sense of remorse about the spread of communism and fascism, and for that reason post-war constitutions all regulated human rights in detail and set up constitutional courts with considerable powers to protect them. Over the years, the constitutional courts in many cases not only defended and interpreted constitutions, but also overstepped their powers and usurped part of the powers of the legislative and executive branches. Judicial activism has become the dominant trend in European constitutional interpretation. Alongside the critique of the “judicial state”, interpretations that envisaged the rise of the “juristocratic state”, the emergence of a global juristocracy and a kind of constitutional oligarchy, became increasingly prominent.¹ The struggle between legal and political constitutionalism in the European political arena, and in particular in the Polish and Hungarian public law arena, has been intensifying over the last ten years.²

As early as the 1960s, critical works were published in the United States criticising the interpretation of the law by the courts which was getting more and more divorced from the text of the law, as a process that threatened

¹ STONE SWEET 2000; and most notably in Hungary, VARGA ZS. 2019 and POKOL 2017.

² STUMPF 2020.

constitutional democracy.³ The practice of basing judicial decisions on the interpretation of fundamental rights, as a result of the Supreme Court Justices appointed by President Roosevelt, had long defined constitutional thought and judicial practice in the United States. The liberal-progressive trend, by invoking principles, fundamental rights and constitutional objectives extracted from the Constitution itself, often deviating from the text of the Constitution and the laws, had extremely broadened the application and interpretation of the law by the judiciary. Through the popular doctrine of the “living constitution”, law professors and judges had argued that the constitution must be constantly adapted to the changing needs of society, and that this was the task of the judges.

The overwhelming progressive wave in American public law thinking was broken by the appointment of Antonin Scalia to the Supreme Court. He and his Irish-born wife raised nine children and 36 grandchildren, and his nomination was confirmed by a 98–0 vote in the Senate. It was Ronald Reagan who appointed this notoriously conservative, textualist and originalist lawyer, a graduate of Harvard and Georgetown Universities, as Supreme Court Justice in 1986. The arrival of Scalia and the departure of the liberal Justice Brennan marked a conservative turn for the Supreme Court. Scalia’s arguments and legal thinking had a huge impact on the entire American legal profession and also on public opinion. Opposing the fundamental rights revolution and the progressive decisions of the “enlightened judges”, Scalia consistently insisted on textualism and the ordinary meaning of words and expressions. His approach to law had been disputed by many conservative law professors, but his work has undoubtedly led to an increase in the number of judicial decisions that are more faithful to the text of the law over the past three decades. However, the debate about the U.S. Supreme Court has intensified not only in professional circles, but also at the political level. The successful Republican governor of Texas discussed at length in his book published in 2010 why are nine judges, elected by no one, telling us how to live?⁴ The 2010 presidential election, according to the Democrats, was

³ SHAPIRO 1964.

⁴ PERRY 2010.

decided in favour of Bush over Gore by the conservative-majority Supreme Court. Perhaps it is because of this history that, prior to Obama's re-election, conservative Chief Justice Roberts voted to save Obamacare from being declared unconstitutional. Chief Justice Roberts was presumably motivated by the intention of taking the court out of the electoral fray, avoiding a repeat of 2010. There may have been similar reasons for the Supreme Court's refusal to deal urgently with the electoral fraud in the 2020 presidential election. Despite this, the convincing (6–3) conservative majority in the Supreme Court is a thorn in the side of President Biden's people and the Democrats who won the majority in the House of Representatives. In Congress, they wanted to pass a law to expand the Supreme Court by adding four justices, but they could not get the support of a majority of the Senate (60) and thus the law failed. They have not given up their intention, as President Biden has set up a 36-member commission to propose a reform of the Supreme Court. The battle for judicial supremacy continues. This paper takes stock of the most important historical milestones in the debate on the restructuring and status of the Supreme Court and reviews the most interesting proposals that emerged from the Presidential Commission.

THE ROOSEVELT PLAN – “I PLEDGE
YOU, I PLEDGE MYSELF, TO A NEW DEAL
FOR THE AMERICAN PEOPLE”⁵

Roosevelt's campaign for a New Deal economic policy, promising a new direction for the American people, won him the fourth presidential nomination vote at the Democratic National Convention against Speaker John N. Garner of Texas (later Vice President). In an unusual move at the time, he travelled in person to the Chicago convention to accept the nomination.

⁵ “I pledge you, I pledge myself, to a new deal for the American people” is a quote from Franklin D. Roosevelt's speech, accepting the presidential nomination at the Democratic National Convention in Chicago delivered on 2 July 1932 (ROOSEVELT 1932).

In his speech,⁶ he anticipated that the party must serve the greatest good through liberal thinking, planned action and an enlightened international outlook. In November 1932, the fourth year of the Great Depression, the presidential election was won by a landslide by New York State Governor Franklin D. Roosevelt. It was the first time since 1916 that a Democratic candidate won, following four terms of Republican rule, thanks to a majority of Americans blaming outgoing President Herbert Hoover for the crisis. The Democrats, who gained control of the executive and the legislature, saw a greater central government role as the solution to the crisis. The objective of the New Deal policy was to create a welfare state. Roosevelt, in his inaugural speech⁷ blamed the global financial and economic crisis on bankers' speculation and announced strict government control of banking, credit and investment operations. The first phase (1933–1934) of the program, also known as the 3Rs (*relief, recovery, reform*), focused on the recovery of financial institutions and the banking sector, agriculture and industry, while the second phase (1935–1936) concentrated on social policy measures (public works programs, social security). The only counterweight to the Roosevelt policy was the Supreme Court. In addition, the president was able to reach almost every household through the new technological achievement of radio, being able to “talk” to the American people through his famous fireside chats, which also proved to be a way of exerting pressure on Congress.⁸ The Supreme Court did not support the President's New Deal program, and in 1935 and 1936 it struck down a number of economic laws, in many cases through unanimous votes.⁹ In the nine-judge panel, Justices Pierce Butler, James McReynolds, George Sutherland and Willis Van Devanter were fierce critics of Roosevelt's policies, and were dubbed

⁶ Roosevelt: “Ours must be a party of liberal thought, of planned action, of enlightened international outlook, and of the greatest good to the greatest number of our citizens” (ROOSEVELT 1932).

⁷ ROOSEVELT 2006: 160–164.

⁸ PETERECZ 2017: 15.

⁹ For example, the National Industrial Recovery Act with a decision of 9:0, the Agricultural Adjustment Act with 6:3 or the Municipal Bankruptcy Act with 5:4 (MOGYORÓSI 2012: 53–59).

the Four Horsemen after the Horsemen of the Apocalypse. Justices Louis Brandeis, Harlan Fiske Stone and Benjamin Cardozo were in support of the New Deal and were dubbed the Three Musketeers.¹⁰ Chief Justice Charles Evans Hughes and Justice Owen Roberts, appointed by Hoover, took a swing position, although the latter tended to lean towards the Four Horsemen. At that time, the polarisation of the Supreme Court could not be clearly explained by a conservative–liberal split; the two groupings were rather based on the different types of legal theory approaches, namely classical legal formalism and legal realism.¹¹ Roosevelt saw a solution in reforming the obstructionist judiciary, and after his re-election, on 5 February 1937, he submitted his reform bill to Congress to increase the size of the Supreme Court (the court-packing bill). Roosevelt placed his initiative of adding more justices to the Supreme Court in a comprehensive bill aimed to modernise and increase the efficiency of the judicial system (the Judicial Procedures Reform Bill of 1937). This would have allowed the President to appoint a young Associate Judge with 10 years' service for each member of the court over the age of seventy years. The President's powers would have been limited to appointing up to six Supreme Court Justices and two justices per federal court. In increasing the size of the Supreme Court, Roosevelt's undisguised goal was to ensure that the rejuvenated court would treat the New Deal program favourably. In his infamous 9 March fireside chat, he tried to win the American public to his cause, arguing that the judiciary had overstepped the bounds of the Constitution and therefore the nation "must take action to save the Constitution from the Court and the Court from itself".¹² The reform plan, however, met with fierce opposition, failed to win the support of either civil society or professional organisations, and even led to the formation of the *National Committee to Uphold Constitutional Government* in February 1937, which waged a massive countercampaign against the New Deal. The Senate Judiciary Committee was still willing to discuss the proposal, but the majority of senators did not support it. On the basis of a report dated 14 June 1937, the Committee considered the reform

¹⁰ LEUCHTENBURG 2005.

¹¹ POKOL 2005: 291–293.

¹² ROOSEVELT 1937.

of increasing the number of Supreme Court Justices to be a dangerous and unprecedented interference with the constitutional principles.¹³ This part of the court-packing plan failed in the Senate by a vote of 70 to 20, and the court reform that was subsequently adopted was limited to provisions for lower courts.

However, as a result of these events, the attitude of the judiciary changed, and on White Monday it passed decisions upholding New Deal policies. Soon the ideological reorganisation of the Supreme Court also began. With the resignation of 78-year-old Devanter, President Roosevelt had the opportunity to appoint a new Supreme Court Justice. The position was originally intended for his confidant, 65-year-old Senate Majority Leader Joseph T. Robinson, but his appointment would not have been compatible with the concept of rejuvenation. Robinson's unexpected death finally settled the issue, and the appointment of 51-year-old Senator Hugo Black, who had been an active supporter of the New Deal and the court-packing plan, was proposed to the Judiciary Committee to replace Robinson. Black's appointment sparked heated controversy over his religious fanaticism and suspected membership of the Ku Klux Klan, but his appointment was approved by the Judiciary Committee and later by the Senate. President Roosevelt had the opportunity to appoint a Supreme Court Justice a total of eight times during his presidency until 1945, setting the composition and ideological direction of the judiciary according to his own preference for decades. By 1939 the Supreme Court had become strongly liberal with the appointment of Justices Black, William O. Douglas and Frank Murphy. By the early 1950s, there was some shift toward a conservative outlook with the change in President Harlan F. Stone's views and the appointment of Justice Fred M. Vinson, but the liberal predominance persisted until the 1970s. The ideological balance was restored as a result of the conservative Supreme Court appointments made by Presidents Nixon, Reagan and

¹³ According to the Committee report, the reform was a "needless, futile and utterly dangerous abandonment of constitutional principle". *Report of the Senate Judiciary Committee*, 14 June 1937.

George W. Bush.¹⁴ The experiences from Roosevelt's era gradually became integrated into the practice of judicial appointments. After 1945, presidents began to follow different strategies in judicial appointments, potentially identifying their nominee for the Supreme Court Justice position before the vacancy even occurred, choosing the person deemed most suitable for achieving their political objectives.¹⁵

THE OBAMA ADMINISTRATION

Upon his appointment by George W. Bush in 2005, John Roberts assumed the role of Chief Justice of the Supreme Court, a position he has continued to hold to this day. Chief Justice Roberts initially espoused such a conservative outlook that the media made specific mention of his involvement with the Federalist Society, a conservative organisation.¹⁶ However, since 2018, he has tended to adopt a more fluctuating stance, leaning towards the liberal bloc in certain cases.¹⁷ Barack Obama began his two-term presidency under the Roberts court, during the global economic crisis of 2008–2009. In looking at the relationship between the President and the Supreme Court, there are three landmark events in the evolution of the Supreme Court: the first Obamacare decision, the decision in favour of same-sex marriage, and the nomination of Merrick Garland to an Associate Justice position.

¹⁴ President Richard Nixon appointed Justice Warren Burger as Chief Justice of SCOTUS, and Lewis Powell, William Rehnquist, Harry Blackmun as Associate Justices, among others, with strong conservative leanings. Following this, Ronald Reagan appointed William Rehnquist as Chief Justice, and Antonin Scalia received an Associate Justice seat. Justices Clarence Thomas, Samuel Alito and John Roberts were appointed under George W. Bush.

¹⁵ ZÉTÉNYI 2004.

¹⁶ LANE 2005.

¹⁷ ROEDER 2018.

*Taxed enough already*¹⁸

President Obama signed into law the major U.S. health care reform (*Patient Protection and Affordable Care Act*, hereinafter: ACA or *Obamacare*) on 23 March 2010. A few months after the law came into effect, the National Federation of Independent Business and the majority of states objected to the new law's requirement for general insurance coverage and the expansion of the national health insurance program (Medicaid). Obamacare raised the question of whether Congress exceeded its authority under Article I of the Constitution, which enumerates powers to levy taxes and regulate interstate commerce, by mandating that the majority of Americans obtain minimal health insurance coverage under penalty of a fine (*minimum coverage provision or individual mandate*). Furthermore, another question was, whether the legislature unduly coerced states voluntarily participating in the Medicaid program to increase their contributions to the health insurance fund, stemming from the expansion of the eligible population.¹⁹ The Supreme Court's decision in *National Federation of Independent Business v. Sebelius* approached the weight of the Roosevelt New Deal decisions, and had a decisive impact on the outcome of the 2012 elections and the powers of the federal legislature. Opponents of Obama's policies were united in one camp, arguing that the ACA had manifested an overreach of federal power. The radical Tea Party movement, made up of conservatives and libertarians who opposed the President's election and his health care reform plans, advocated a return to constitutional roots and rejected the overreach of the federal government, had grown rapidly in political power.²⁰ The President's base of support was made up of moderate and liberal forces who argued for the constitutionality of the reform bill and called for affordable health care for millions of uninsured Americans. The Supreme Court's task was therefore to interpret the so-called 'dormant commerce clause' in Article

¹⁸ One possible origin of the name of the ultra-conservative Tea Party movement is that the word tea is an acronym for the slogan "taxed enough already". The name, however, may also refer to the Boston Tea Party of 1773 (PA ÁR 2013: 24).

¹⁹ SCOTUS 2012: 2–6.

²⁰ MECKLER–MARTIN 2012: 12–13.

I of the Constitution. This constitutional provision authorises Congress to regulate interstate commerce to prevent individual state regulations from unduly burdening or discriminating against interstate commerce.²¹ In a landmark decision, the Supreme Court ruled in favour of the ACA program, upholding its constitutionality. The liberal quartet of the court (Sonia Sotomayor, Stephen G. Breyer, Elena Kagan and Ruth Bader Ginsburg), joined by Justice Roberts, decided by a 5:4 majority that Congress can impose a penalty for failure to comply with the individual mandate under the commerce clause. The Court also deemed the expansion of Medicaid not unconstitutional; however, by a 7:2 margin (Roberts, Kagan, Breyer, as well as the four conservative justices, Antonin Scalia, Anthony Kennedy, Clarence Thomas and Samuel Alito), it found that Congress had exceeded its authority. The legislature could not, therefore, penalise individual states by withholding full Medicaid funding simply because they might be unwilling to participate in the expansion of the health insurance program. The decision reached offered a compromise, leaving each state free to decide whether to join the government initiative, thus leaving the matter of expansion to the discretion of each state government.²² Following the Roberts Court's favourable decision, Obama won the presidential election five months later, and the Republicans and the Tea Party movement's bid for the presidency failed. Roberts, the Chief Justice, was likely led by the desire to keep the Supreme Court out of the 2012 election fray in his efforts to salvage Obamacare. In the case of *Bush v. Gore*,²³ adjudicated in 2000, the Rehnquist-led Court, with its Republican majority, rejected the manual recount of Florida's votes and awarded the electoral votes to President Bush, effectively deciding the outcome of the election. The Democratic press and public opinion made a big fuss over the simple decision on election regulation, seeing the panel's decision as pure political partisanship, which in their view showed the over-politicised role of the Supreme Court.²⁴

²¹ ArtI.S8.C3.1.4.1 Dormant Commerce Power: Overview, Constitution of the United States of America, Article 1, Section 8.

²² PERLSTADT-BALÁZS 2013: 29–42.

²³ SCOTUS 2000: 114.

²⁴ TOBIN 2012: 123; DERSHOWITZ 2001: 174–198.

*"But what really astounds is the hubris reflected in today's judicial Putsch"*²⁵

The Supreme Court, in a 5–4 decision in June 2015, ruled in *Obergefell v. Hodges* that under the Fourteenth Amendment to the Constitution, same-sex marriage is legalised and recognised uniformly across all fifty states. The judicial body reviewed the decision of the United States Court of Appeals for the Sixth Circuit, which consolidated several cases from the states of Michigan, Kentucky, Ohio and Tennessee and upheld the constitutional obligation to recognise and allow same-sex marriages. In the four listed states, the institution of marriage was defined as a union between one man and one woman. According to their argument, recognising marriage in any other sense would violate the timeless nature of marriage as they understood it.²⁶ The majority opinion of the Supreme Court held that the fundamental freedoms outlined in the Fourteenth Amendment's Due Process Clause and Equal Protection Clause require the legalisation and interstate recognition of same-sex marriage. In formulating the majority opinion, Justice Anthony Kennedy played a significant role, aligning with the views of the liberal-leaning justices Ginsburg, Breyer, Sotomayor and Kagan. Appointed by President Reagan in 1988, the conservative Kennedy exhibited a more fluctuating stance within the Roberts Court, joining the liberal bloc in several decisions. Kennedy's increasing divergence from conservative circles contributed to his eventual resignation (see our analysis of the Trump era). The Court justified its decision by emphasising the dynamic historical evolution and essential transformation of the timeless institution of marriage.²⁷ According to the Due Process clause, no state shall deprive any person of life, liberty, or property without due process of law, which extends to the intimate realm of individual dignity and autonomy, including the choice of personal identity and convictions. The Equal

²⁵ "But what really astounds is the hubris reflected in today's judicial Putsch" – quote from Justice Antonin Scalia's dissenting opinion to the Supreme Court's decision in *Obergefell v. Hodges* (SCOTUS 2015: 6).

²⁶ MÁTYÁS 2015: 31–37.

²⁷ SCOTUS 2015: 1.

Protection Clause, ensuring equality before the law, is closely related to this. Conservative Justices Roberts, Scalia, Thomas and Alito, attached several critical dissenting opinions to the decision. Scalia struck the sharpest tone, outright labelling the majority opinion of the five justices as a judicial Putsch,²⁸ intervening unjustifiably and without sufficient legal basis in the societal debates surrounding the institution of marriage.

“Mr. President, you will not fill the Supreme Court vacancy”²⁹

Two of President Obama’s Supreme Court Justice nominations (Sotomayor and Kagan) were successful, while Merrick Garland’s 2016 nomination failed. The unexpected death of Justice Antonin Scalia occurred in the last year of the Obama Administration. The political landscape had already shifted, with Republicans winning a majority in Congress in the 2014 by-elections and taking control of the legislature. Senate Republican Leader Mitch McConnell announced within hours of Scalia’s death that the Republicans would reject President Obama’s nomination in view of the election year, as the right to appoint a Supreme Court Justice already belonged to the new President. To fill the seat of Scalia, who represented a conservative, originalist-textualist stance, Obama nominated Merrick Garland, who represented a centrist, neutral stance. Garland’s appointment would have resulted in the first ideological shift towards a liberal majority in the court since the 1970s. However, the Judiciary Committee, which had a Republican majority, consistently declined to schedule a hearing for Garland, a prerequisite for advancing the nomination to a Senate vote. As a result, the nomination lapsed in January 2017 at the conclusion of the congressional term. The Republican argument opposing the appointment asserted that the new Supreme Court Justice should be nominated following the 2016 elections. The Republicans partly referred to the Biden Rule, according to which the current nominee, Joe Biden, as a senator and chairman of the Judiciary

²⁸ SCOTUS 2015: 74–75.

²⁹ “Mr. President, you will not fill the Supreme Court vacancy” – quote from Senator Mitch McConnell’s speech in Kentucky on 6 August 2016.

Committee in June 1992, urged then-President George H. W. Bush not to nominate a candidate for the potentially vacant Supreme Court Justice position (due to the retirement of Justice Blackmun) before the upcoming presidential election. Additionally, they referred to the so-called Thurmond rule, considered a myth by some, which suggests that the Senate should not confirm a Supreme Court nomination during a presidential election year.³⁰ Meanwhile, Democrats speculated that Hillary Clinton would win the presidential election, and the Congress would be compelled to urgently confirm Obama's centrist nominee during the lame-duck session to avoid a more extreme nominee from the new 'Clinton Administration'.³¹ However, the 2016 presidential election resulted in the victory of Republican Donald Trump, Garland's nomination expired with the end of the 114th congressional term, and the appointment of the new Supreme Court Justice was left to the new president.

THE TRUMP ADMINISTRATION

During his 2016 election campaign, Donald J. Trump released two lists³² of potential nominees to fill the late Scalia's seat. The campaigning presidential candidate aimed to nominate a conservative Supreme Court Justice who would follow Scalia's judicial philosophy. Trump introduced a new practice by having multiple candidates for each vacant position. Leonard Leo, perhaps the most influential conservative lawyer in the United States and the Federalist Society, which was founded in 1982 and now has over 60,000 registered members, played crucial roles in compiling the lists. The Federalist Society, comprising conservatives and libertarians, advocates for a textualist and originalist interpretation of the U.S. Constitution. Leonard Leo joined the Federalist Society in 1989 by founding a local student chapter during his student years. He served as the Society's vice president for many

³⁰ BORBÉLY 2020.

³¹ CASSELLA-MORGAN 2016.

³² Trump lists: 2016, 2017, 2017 addendum, 2020 aggregate list, 9 September 2020.

years and is currently the co-chair of its board of directors. Leonard Leo aimed to establish an absolute conservative majority in the federal judiciary and the Supreme Court. He actively participated in the appointments of Justices Roberts, Alito, Gorsuch, Kavanaugh and Barrett. Leonard Leo and the Federalist Society's activities were highly successful, assisting in the appointments of three Supreme Court Justices and 234 federal judges during the Trump Administration. According to an article published by *The Washington Post Magazine* in January 2019, the organisation's significant influence is evident as six out of the nine Supreme Court Justices were or are members of the Society.³³ Undeniably, the Trump Administration's greatest success was ensuring conservative dominance in both the federal and Supreme Court appointments.

*"I'm a judge [...] I speak for myself"*³⁴

One of the first tasks of the presidential term beginning in January 2017 was to fill Justice Scalia's vacant seat. President Trump nominated conservative Judge Neil Gorsuch for the position, whose name appeared on the second list released during the election campaign with Leonard Leo's influence.³⁵ President Trump's formal announcement was a surprise, as the nominee's name was kept entirely secret from the media, unlike the future cabinet members' list, which had previously leaked. Even Gorsuch himself only learned of his nomination the day before.³⁶ The Senate Judiciary Committee's reaction was predictable, with views divided along party lines. The Democrats' rejection was a direct result of the Garland coup. While the committee members supported Gorsuch's nomination by an 11–9

³³ The Supreme Court Justices concerned: Brett Kavanaugh, Neil Gorsuch, Clarence Thomas, John Roberts, Samuel Alito and Amy Coney Barrett (MONTGOMERY 2019).

³⁴ "I am a judge [...] I speak for myself" – quote from Supreme Court Justice nominee Neil Gorsuch from his Senate Judiciary Committee hearing on 21 March 2017.

³⁵ LIPTON–PETERS 2017.

³⁶ GREENYA 2018: 1–5.

vote, the Democrats' frustration and political resistance were palpable throughout the hearings and the first 100 days of the new administration. No one questioned the nominee's professional qualifications, as he received a unanimous "well-qualified" rating from the American Bar Association.³⁷ The confirmation of the appointment was the Trump Administration's first significant political battle. The Democrats attempted to block the Senate's approval through filibuster, effectively a minority veto. However, the Republicans used the "nuclear option" to secure the necessary 50 + 1 senatorial votes for approval. The nuclear option was first employed in 2013 during President Obama's tenure, when the then-Democratic-majority Senate altered the parliamentary rules for presidential appointments, reducing the required approval from a supermajority to a simple majority. Although the Democrats intentionally did not apply this to Supreme Court appointments, it set a precedent for the Republican-majority Senate under Mitch McConnell's leadership to extend the nuclear option in 2017, facilitating Gorsuch's confirmation.³⁸ The simple majority approval set a precedent, and from then on it was to be applied as the general rule governing the appointment of Supreme Court Justices. Gorsuch took his seat as a Supreme Court Justice in April 2017.

*"I'm not a pro-prosecution or pro-defence
judge. I am a pro-law judge"*³⁹

Conservative circles had viewed Justice Kennedy's activities unfavourably since the *Obergefell* case. For a lasting ideological shift in the Supreme Court, a personnel change was necessary, and thus Justice Kennedy had to leave. In 2018, Kennedy decided to retire, and President Trump nominated

³⁷ American Bar Association 2018.

³⁸ BERGER 2017.

³⁹ "I'm not a pro-prosecution or pro-defence judge. I am a pro-law judge" – quote from Supreme Court Justice nominee Brett Kavanaugh from his Senate Judiciary Committee hearing on 4 September 2018.

Judge Brett Kavanaugh to replace him. Interestingly, Kavanaugh's name was not on the initial lists released during Trump's campaign but appeared on the 2017 list. Kavanaugh had previously clerked for Kennedy, and some believe his presence significantly influenced Kennedy's resignation.⁴⁰ However, Kavanaugh's Senate confirmation process was turbulent, with several accusations of sexual harassment emerging after his hearings. The Democrats used all means to block his appointment. The progressive group 'Demand Justice' launched a multi-million-dollar campaign against Kavanaugh.⁴¹ According to Gallup polls, Kavanaugh's unpopularity rating rose to 42%, unprecedented for Supreme Court nominees since 1987.⁴² The intense opposition stemmed from the fact that Kavanaugh's appointment would give conservative, originalist constitutional interpreters a majority for the first time since Franklin D. Roosevelt's presidency, increasing their number to five. The originalist conception, in contrast to the "living constitution" doctrine of progressives who support judicial activism, examines the original content of the constitution as an objective yardstick, validating the meaning of the text at the time of its adoption by exploring the legislature's intent.⁴³ Trump's second Supreme Court appointment was significant as it led to a long-term ideological shift in public policy thinking, favouring conservative circles. The events had a "Kavanaugh effect" on the outcome of the November 2018 midterm elections, with Republicans gaining more Senate seats, while Democrats gained a majority in the House of Representatives, breaking the previous trifecta. Undoubtedly, during 2016–2018, President Trump effectively seized the historic opportunity favourable to Republicans.

⁴⁰ SONMEZ et al. 2018.

⁴¹ CALDWELL – THORP V. 2018.

⁴² JONES 2018.

⁴³ SZENTE 2013: 151–161.

*"I have no mission and no agenda. Judges
don't have campaign promises"*⁴⁴

During the 2020 U.S. presidential election campaign, Justice Ruth Bader Ginsburg's death on 18 September 2020, brought an unexpected twist. Republican and Democratic forces immediately clashed over the appointment of the new Supreme Court Justice. Exercising his constitutional authority, President Trump announced the nomination of deeply Catholic, conservative, seven-child mother Amy Coney Barrett for Ginsburg's vacant Associate Justice seat on 26 September, 35 days before the election. Barrett had already been a potential candidate on Trump's lists and was placed at the top of the 2017 list after her appointment to the 7th Circuit Court of Appeals. The nomination just before the election sparked outrage among Democrats, as Republicans had blocked Merrick Garland's appointment in 2016, citing the proximity of the presidential election. Liberal forces also saw Barrett's pro-life stance on abortion as a threat. Conservative circles, on the other hand, advocated for a further strengthening of the ideological power relations settled with the appointment of Kavanaugh. Finally, on 26 October, President Trump succeeded with his third Supreme Court nomination, confirmed by the Senate with a 52–48 majority. The appointment of Justice Barrett, representing the Scalian textualist-originalist interpretation of the Constitution, cemented a 6–3 conservative majority on the Supreme Court for decades.

⁴⁴ "I have no mission and no agenda. Judges don't have campaign promises" – quote from nominee Amy Coney Barrett from her Senate Judiciary Committee hearing on 13 October 2020.

THE BIDEN ADMINISTRATION – “NOTHING
IS OFF THE TABLE FOR NEXT YEAR”⁴⁵

Barrett’s nomination occurred just before the November 2020 presidential election, intensifying Democratic reform ideas to ‘depoliticise’ the Supreme Court by increasing its size. During the campaign, however, neither presidential candidate Joe Biden nor vice presidential candidate Kamala Harris took a clear stance on the initiative. Nor was there a list of potential Supreme Court nominees for the new term. Meanwhile, the activist group ‘Demand Justice’ released a list of 32, later expanded to 42, potential progressive nominees. Biden, the former chairman of the Senate Judiciary Committee, stated in December 2019 that, in case of a vacancy, he would appoint a Supreme Court Justice who embraced the “living constitution” doctrine. In a May 2020 campaign speech, he promised to appoint an African American woman.⁴⁶ Based on the autumn developments, maximum one Supreme Court Justice appointment could be expected during Biden’s term. Amid questions about increasing the court’s size, presidential candidate Biden announced in late September that if he would win, he would initiate a bipartisan commission to discuss the comprehensive reform of the Supreme Court. The highly controversial 2020 elections, held during the coronavirus pandemic, ultimately favoured Biden. Regarding election fraud related to new mail-in voting rules in various states, the Roberts Court maintained a restrained stance. For example, in the Pennsylvania case, the newly appointed Justice Barrett’s abstention led to a 4–4 tie, resulting in the rejection of the emergency election motion.⁴⁷ Beginning his term in January 2021, Biden issued an executive order on 9 April to set up a 180-day commission to study the ideas of law professors, experts, retired lawyers and judges. According to the order published on the White House website, the 36-member commission’s examination included discussing proposals

⁴⁵ “Nothing is off the table for next year” – quote from Senator Chuck Schumer at the Democratic Party Convention on 19 September 2020.

⁴⁶ SHAPIRO 2021.

⁴⁷ Justice Roberts voted against the emergency admission (SCOTUS 2020: 1).

related to increasing the number of Supreme Court Justices, reducing the Supreme Court's political influence, increasing its transparency and limiting judges' terms.⁴⁸

Following the executive order, on 14 April, Democrats introduced to Congress a bill (Judiciary Act of 2021) to increase the court's size, but the initiative failed due to a lack of Senate support.⁴⁹ The Democrats did not give up on their plan to reform the Supreme Court. Although the White House defined the commission as bipartisan, the conservative think tank The Heritage Foundation's vice president calculated that liberals dominated conservatives by a 4–1 ratio. Conservatives believed that the presidential commission was set up because Donald Trump was able to appoint three Supreme Court Justices during his presidency, changing the ratio of conservatives to progressives on the Supreme Court to 6–3. At the same time, there are more active judges appointed by Democratic presidents than Republicans on the federal Circuit Courts. Many prominent law professors supporting the Democrats believed that if the Supreme Court's size could be increased, Republicans would never win another election. Hundreds of pages of opinions, sometimes containing political considerations, were prepared by the invited professors and experts for the commission. Several Democrat-leaning professors also found increasing the court's size problematic, while there was more consensus on limiting judges' terms to 18 years. The commission finally unanimously approved the final version of the report on 7 December 2021. Shortly after, following the January retirement announcement of 83-year-old Justice Stephen Breyer, President Biden fulfilled his promise by appointing Ketanji Brown Jackson, a nomination symbolically significant in two ways in the court's history.⁵⁰ On the one hand, Jackson became the first black woman to serve as a Supreme Court Justice; on the other hand, all justices appointed by Democratic presidents are women. Beyond her symbolic role, Ketanji Brown Jackson's judicial philosophy, as presented during her Senate confirmation hearings in the spring, is also noteworthy. During her hearing, she acknowledged

⁴⁸ The White House 2021.

⁴⁹ GERAGHTY 2021.

⁵⁰ SÁNDOR 2022b.

multiple times that she applies the originalist method of interpretation while explicitly rejecting the doctrine of the “living Constitution”. This may indicate that over the past three decades, originalism has become the dominant method of legal interpretation.⁵¹ Justice Jackson took the oath of office on 30 June 2022.

SUMMARY

The Supreme Court is the strongest yet least accountable institution in the American political system. Its popularity is higher than that of Congress, though it has significantly declined in recent decades. The complete politicisation of judicial appointments has eroded the institution’s political legitimacy and societal acceptance.⁵² An intense identity war is also taking place in America, affecting political institutions and electoral battles. The Supreme Court’s decisions are binding on everyone and often involve highly divisive issues such as the legality of abortion, state recognition of same-sex marriage, gun rights, climate regulations, the limits of free speech on campuses, and the legality of election procedures. With control of the presidency and a majority in the House of Representatives, Democrats saw an opportunity to take control of the Supreme Court as well. Unable to achieve their goal in Congress, they turned to the presidential commission. Analysing the completed report, the partisan fault line is evident. The National Constitution Center, which builds on the collaboration of three groups – progressives, libertarians and conservatives – with the aim of drafting a new constitution for the United States, agrees on introducing an 18-year term limit for justices. Since the completion of the presidential report, the appointment of Justice Jackson and the 2022 mid-term elections, the debates around Supreme Court reform have somewhat subsided, however, it has only temporarily fallen off the political agenda. Considering the outcome of the midterm elections, the Republican victory in the House of Representatives significantly complicated President Biden’s and Congress’s

⁵¹ SÁNDOR 2022a.

⁵² EPSTEIN–SEGAL 2005.

judicial reform efforts. Nevertheless, the 2024 elections have given new impetus to the debates on reshaping the Supreme Court. In October 2023, the dedicated working group of the American Academy of Arts and Sciences published its recommendations on the Supreme Court term limits⁵³ that aim to take forward key reform proposals from the Bipartisan Commission. In November 2023, the Supreme Court adopted its first Code of Ethics in its history after the bribery scandals involving Justices Alito and Thomas. In the 2024 election dump, the Supreme Court became a political battlefield as the court issued a decision by ruling that presidential candidate Donald Trump and other ex-presidents have wide (but not absolute) immunity from criminal prosecution for their actions in office. We believe that the Supreme Court is steady for the time being and has successfully resisted attempts to reform its institution. However, the 2024 elections raise the question of whether the conversation about how and why to reform the Court will continue or whether such debates fall off the political agenda.

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⁵³ American Academy of Arts & Sciences 2023.

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TRANSNATIONAL CHALLENGES

THE LEGACY AND FUTURE OF BRETTON WOODS¹

THE U.S.-DOMINATED ECONOMIC WORLD ORDER

The Bretton Woods foundations

The Bretton Woods international conference was opened by President Roosevelt with a reflection on proposals for future programs of economic cooperation and peaceful development. The two most important committees of the conference made decisions regarding the institutional and financial system, which are at the centre of our analysis: they aimed to establish two new global institutions and a mechanism.² The committees chaired by Harry Dexter White of the U.S. and Lord John Maynard Keynes of the U.K. laid the foundations for the creation of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (later to become the World Bank Group), which have since achieved virtually universal membership.³ The founding fathers voted for multilateralism, and the IMF's membership, which initially had 30 member countries, doubled

¹ The draft of the manuscript was completed in the spring of 2023.

² It should be noted that the participants' efforts to create a specialised trade institution were not successful, as the International Trade Organization (ITO) was not established, but instead a liberal trade agreement (General Agreement on Tariffs and Trade – GATT) was created.

³ The growth in the capacity of the institutions is illustrated by the fact that while the IMF had 100 staff when it was founded, it now employs more than 3,000 people and its annual budget has grown from \$2 million to \$1.2 billion (HELDT–SCHMIDTKE 2017: 51–61). In the case of the World Bank, the initial staff of 150 has grown to over 11,000, and further specialised subsidiary institutions were added (IDA, IFC, ICSID, MIGA) (HELDT 2018: 568–587).

in ten years, then, after 30 years, it had grown to five times its original size, and by now the number of members has reached 190.⁴ Alongside the two institutions, following the rejection of Keynes' s proposal to create a new global reserve currency, the *bancor*, a fixed exchange rate system based on the gold standard was established in accordance with the economic interests of the United States, the country that had decided the outcome of the world war. This system ensured the convertibility of the dollar to gold at a fixed exchange rate. As a result of this mechanism, the dollar became the leading international reserve currency. Bretton Woods marked a major shift from the pre-war period, and formulated a liberal agreement that participating governments would organise their economic relations largely on the basis of reciprocity and open market principles.

Based on the plans of the founding fathers of Bretton Woods, Keynes and White, the IMF was intended to play a role as a facilitator of global economic growth, to be achieved through international trade and financial stability. The statutes of the institutions contained conditions adapted to the problems of the post-war period: the aim of the IMF was to promote international financial cooperation through its permanent institution, with a mechanism for consultation and cooperation on international monetary problems. The future World Bank's task was to contribute to reconstruction and development in the member countries' territories by promoting capital investment for productive purposes.

Of course, the meaning of the Bretton Woods system has changed a lot over the past three quarters of a century. We can quickly add that the content of what we mean under Bretton Woods has been affected spectacularly by the increasing protectionism, the deglobalisation and the lack of global coordination during the Covid-19 pandemic, as well as the sanctions imposed as a result of the Russian–Ukrainian war, the energy and food price increases, and challenges associated with climate change. While in the first decades after the conference it primarily meant a fixed exchange rate regime, and the original multilateralism established at Bretton Woods had no say in the economic model under which nation states managed their economies,⁵ after

⁴ International Monetary Fund s. a.

⁵ HELLEINER 2019: 1112.

1970 it became synonymous with a liberal economic world order, which can be described by the Washington Consensus. In this interpretation, the IMF and the World Bank, as the custodians of the political agreement, play a central role in how individual governments implement their policies. The reform of the Bretton Woods system, which has been discussed very regularly since the turn of the millennium by politicians from emerging economies and developing countries, as well as academics, calls for a return to the roots set in the 1940s, both in terms of objectives and implementation.⁶ As former U.S. Federal Reserve Chairman Paul Volcker put it, Bretton Woods is not an institution in its own right, but rather an ideal, a symbol of sovereign nations working together to create open markets in goods, services and finance, and a stable, growing and peaceful world economy.⁷

Keynes's Bretton Woods proposal was more complex and ambitious than the American one, as it would have created an international clearing bank to settle international transactions, among others. Neither the national banks nor the clearing bank would have been allowed to hold foreign currency in reserve. The national banks would have traded with each other through clearing accounts in the newly created money called *bancor*. Members would have joined the new currency at a fixed exchange rate. The amount of *bancor* that each country would have been allowed to accumulate would have been limited in proportion to its share of world trade, thus preventing excessive balance of payments surpluses or deficits. Countries with deficits would have been allowed to devalue when the limit was exceeded, while countries with surpluses would have appreciated their currencies, allowing trade balances to be re-established. In the Keynesian financial system, no state would have had a controlling position *ab ovo*. It is no coincidence that over the past decade, many have returned to Keynes's concept of the clearing bank in the context of the euro area reform.⁸

In comparison, as recently emphasised by President Bush Jr's Treasury Secretary Henry M. Paulson, among others, the dollar's privileged position as a global reserve currency after 1945 is not merely the result of a prior

⁶ BROWN 2010; DREZNER 2014; RODRIK 2012.

⁷ VOLCKER 2017.

⁸ WHYMAN 2015: 402.

decision, but rather of the geopolitical conditions that had evolved after the Second World War, the dynamic development of U.S. monetary policy and the economy.⁹ The dollar's natural monopoly role as a global reserve currency is thus due to the fundamental integrity of the U.S. political and economic system. In addition to the size and stability of the economy, the combination of well-developed, liquid and open financial markets is also necessary for the dollar to play its role as a global reserve currency.

It was not at Bretton Woods that the proposals for the desirable development of the economy advocated by Keynes, one of the greatest economic thinkers of the 20th century, were first put aside: it is less well known that Keynes resigned from the British delegation to the economic section of the Versailles peace talks in 1919, after it became clear to him that the French and Italians were in practice abusing the power of the victors and that there was neither possibility nor intention to change the peace terms they had set, which were aimed to ruin Germany and Austria–Hungary.¹⁰ The consequences are well-known. Keynes was overshadowed for the second time by the Americans when in 1933 he wrote an open letter to the newly elected U.S. President Roosevelt with his proposals for ending the Great Depression.¹¹ It is also less known that Roosevelt experimented with several other proposals prioritising balanced budgets and debt reduction before the government began spending in line with Keynesian recommendations, which ultimately pulled the country out of the crisis.¹² Let us also add that the Americans at least partially learned their lesson because – although they once again did not listen to Keynes, when the foundations of the new financial world order were defined at Bretton Woods according to American interests, as the American White Plan prevailed – the Marshall Plan aimed at the post-war European recovery was still inspired by Keynesian principles.

The global financial system established the conditions for stability and liquidity by creating the underlying institutional safeguards, in other words the money supply necessary for economic actors to operate and the stability

⁹ PAULSON 2020.

¹⁰ For more, see KEYNES 2009 [1919]; KEYNES 2006 [1922].

¹¹ KEYNES 1933.

¹² WINKLER 2009.

of exchange rates through a pegged exchange rate regime. For two decades after the end of the war, the world financial system operated in relative calm. In fact, before the dollar–gold convertibility was abolished in 1969, the IMF’s Articles of Agreement were amended in the Keynesian spirit (see Keynes’ s conception of banking), creating the IMF’s own monetary unit, the SDR (Special Drawing Rights), the purpose of which is to adjust the value of the world’s circulating money supply to match the demand every five years, in order to strengthen price stability. The freedom of capital movement was state-regulated until 1971, which was the onset of the first crisis of the established system, to ensure the conditions of stability and liquidity prevailed.

Fault lines and the Washington Consensus

However, having completed two and a half decades of relative stability, at least one major crisis per decade after 1970 was capable of undermining the foundations of the U.S.-dominated Bretton Woods system. Among others, the excessive abundance of dollars and the depletion of U.S. gold reserves led to the demise of the Bretton Woods fixed exchange rate system in 1971 (confidence in the stability of the dollar was ensured by its convertibility into gold). Based on the advice of Milton Friedman, during the presidency of Nixon, on 15 August 1971, the convertibility of the dollar to gold at a fixed rate was suspended. For the first time, the international financial system lost its anchorage to gold (previously other precious metals and other commodities and commodity groups also had a role). However, the practice of floating exchange rates only became common starting in 1973, a change facilitated by the acceleration of inflation after a period of price stability. The latter was further accelerated by a fourfold increase in the price of oil (which then rose tenfold by the end of the decade). In any case, the depletion of U.S. gold reserves was not replaced by the SDR, already adopted in 1969, but, foregoing stability, capital movements were unleashed, risking the security and predictability of liquidity. By establishing the free flow of capital, the sources of capital became virtually uncontrollable.

The protracted international debt crises of the 1980s then significantly changed the thinking about the economic philosophies prevailing in the Bretton Woods institutions. Forgetting the original social objectives of the institutions, the institutions started to adopt the prescriptions of the neoliberal schools of economics.¹³ The term “Washington Consensus” became popular and widely used following John Williamson in 1989. It originally referred to the confident agreement¹⁴ among Washington-based institutions – the U.S. Treasury, the IMF and the World Bank – on the framework conditions for reforming the economies of Latin American countries. The recommendations focused on dismantling price controls, removing barriers to trade and keeping inflation under control.

Drawing on the principles of free market economics, the consensus-based recipe – initially proposed to Latin American countries – included a set of recommendations focused on fiscal and structural policies.¹⁵ The Washington Consensus is the product of two decades (1970s and 1980s) in which the economic mainstream argued that the key to rapid economic growth was not a country’s natural resources or its wealth of physical or human capital, but rather the composition of the economic policies to be applied. The idea was that a change in the macroeconomic environment would automatically create the conditions for an efficient allocation of resources. And in turn, this would result in high economic growth and well-functioning market economies in the long term.

This obviously oversimplistic distinction was then brought to an end by the Asian financial crisis of 1997–1998, forcing Washington-based policy-makers (including the Bretton Woods institutions dominated by the U.S.) to introspect. While the original Bretton Woods system aimed to “drive out the usurious moneylenders from the temple of international finance”,¹⁶ the Washington Consensus, in economic policy terms, signified the triumph

¹³ WEAVER 2008; WOODS 2006.

¹⁴ This confidence is best supported by the following quote: “We can now develop far more consensus [...] [because] we now know much more about what types of economic policy work” (WILLIAMSON 1993: 1331).

¹⁵ WILLIAMSON 1990.

¹⁶ MORGENTHAU 1944.

of the right-wing, conservative direction in the policies of the Bretton Woods institutions, clearly advocating the relegation of the state's role and the advancement of market forces. The spread of the consensus worldwide (Latin America, the Far East, the transition economies of Central and Eastern Europe in particular) was based on the conservative economic policies of Reagan and Thatcher in the 1980s. In another approach, it could be said that it was the 'Reaganomics'¹⁷ that produced the Washington Consensus. The main argument against the Washington political consensus system, often referred to synonymously with market fundamentalism by multiple authors, can be summarised as follows: freedom, particularly economic freedom in our case, cannot fulfil its purpose without an enforceable, instrumental state supremacy.

*The post-Washington Consensus world,
the problem of applicability*

The free market consensus recipe that succeeded in the United States posed a test of applicability¹⁸ in the developing and transitional economies worldwide: in Southeast Asia, Africa, Latin America, as well as Central and Eastern Europe. Joseph Stiglitz, awarded the Nobel Memorial Prize in Economic Sciences in 2001 (who had previously served as Vice President and Chief Economist of the World Bank), most strongly supported the notion that if market forces are allowed to operate freely and without constraints, without international regulations incorporating institutional safeguards, it could undermine the global capitalist system.

While in the United States, following the conclusion of the Second World War, domestic industries were developed through protectionist economic policies until the rise of monetarism, which is based on controlling the money supply, and the dominance of free trade policies, transitioning economies, including Eastern and Central Europe, and developing countries

¹⁷ WILLIAMSON 2000: 251–264.

¹⁸ In the literature, the problem is best described as “one size fits all”.

were effectively compelled to adopt neoliberal economic policies without an organic economic transition. In a lecture in Geneva before the turn of the millennium, Stiglitz spoke of a kind of double standard, according to which rich countries, which otherwise proclaim the abolition of capital restrictions in the world, use protectionist measures (with near-full employment and adequate social safety nets) to help their citizens who are adversely affected by globalisation.¹⁹ Amongst others, the anti-globalisation, anti-capitalism and anti-American protests at the World Trade Organization (WTO) meetings in Seattle in 1999 and the IMF and World Bank meetings in Prague in 2000 called for a new, now radical left turn.²⁰

The real debate and criticism of the consensus were mainly triggered by the proposals for structural reforms, which announced reforms in the spirit of privatisation, deregulation (dismantling of over-regulation) and liberalisation (removal of market restrictions). The financial crises in East Asia are most commonly associated with trade and FDI liberalisation, which in many cases triggered unmanageable events beyond the control of nation states, leaving the region's economies truly vulnerable and with almost zero capacity to respond. The process of privatisation started with a conservative turn in economic policy, given a particular impetus by the 1985 Seoul speech of James Baker, then U.S. Treasury Secretary, at the World Bank and IMF Annual Meetings. According to the formulated criticisms, however, the economic policy relying on rapid privatisation is flawed, as it fails to lay the groundwork for competition (one important goal of privatisation is to establish competitive conditions); moreover, it is a poor solution if it does not build the social and institutional background necessary to ensure competition.²¹ Perhaps the least politicised element of the consensus is deregulation, i.e. the dismantling of (mainly legislative and administrative) barriers to entry and exit from sub-markets, which started under the Democratic Carter Administration.

¹⁹ STIGLITZ 1999b.

²⁰ KISSINGER 2001: 217–218.

²¹ STIGLITZ 1999a: 459; United Nations 2020; STIGLITZ 1999c.

The financial crises of the 1980s and 1990s in Latin America, Mexico, Southeast Asia, Russia, Brazil and the dramatic levels of indebtedness in the world's developing countries all drew attention to the sustainability of the economic policy toolkit that had been in place, and led international institutions involved in global policy-making to take a hard look at themselves. The central point of the analysis is that the international financial system, based on the Bretton Woods institutions, penalises imprudent borrowers much more severely than imprudent lenders.²² It has become apparent that structural adjustment, which forms an important part of the toolkit of the Bretton Woods institutions, is outdated on its own and often leads to outcomes contrary to its intended goals. Kissinger also confirmed that the remedies offered by the Washington-based international financial institutions in the past often tended to exacerbate problems, as the remedies offered ignored the political nature of the crisis and focused only on the economic crisis. At the same time, the institutions were unable to cope with the political consequences of their programs. It became clear that the post-Washington Consensus,²³ announced around 1998, seeks to answer the question of what additional steps, beyond the reforms outlined in the original consensus, are necessary to address vulnerabilities and further serve the toolkit of economic and development policies, thus promoting global poverty reduction.

The crux of criticisms against the Washington Consensus can be summarised as the lack of available institutional and social tools. The consensus based on macroeconomic balance and structural policies ignores, among others, the institutional development, social, resource allocation, poverty reduction aspects of successful and sustainable development, and does not take into account the different capacities to respond by different regions. Critics argue that instead of externally driven debt-increasing adjustment, what is important is ownership, i.e. the country itself shaping the process, and participation, which means socialising the measures.²⁴

²² KISSINGER 2001: 222–223.

²³ BURKI–GUILLERMO 1998.

²⁴ It is people not governments that feel pain (WOLFENSOHN 1998).

FORCED REFORM OF GLOBAL ECONOMIC
AND FINANCIAL GOVERNANCE:
A NEW MULTILATERALISM

The changes in the world economic order after the Second World War, the rise of the so-called emerging economies and the developing countries in the international economy, can be described by two well-defined factors: the dynamics of economic growth and changes in demographic processes. Looking at population growth statistics, while in the 1960s the population of the BRICS countries (Brazil, Russia, India, China and South Africa) was about three times the combined population of the United States and the euro area,²⁵ today it is four and a half times and is expected to increase fivefold by 2050.

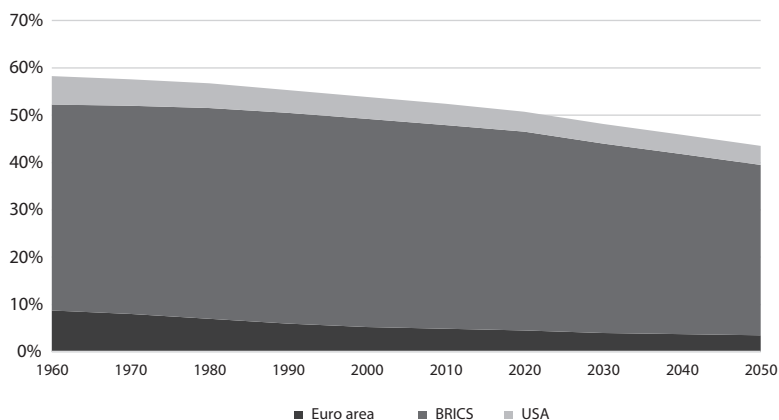


Figure 1: Population trends in relation to the world population

Source: The World Bank statistics

²⁵ The euro area means the 19 EU countries that use the euro.

The growth dynamics of the world economy are also undergoing a radical shift, with the BRICS countries expected to have a 45% share of GDP by 2050, compared to around 10% around the turn of the millennium, while the share of the U.S. and the euro area is steadily declining and not even together will they reach the BRICS share.²⁶ The data clearly show a shift in the balance of power in the world economy away from advanced economies towards emerging and developing economies.²⁷

After emerging economies found that the long-pending governance reform of the Bretton Woods institutions yielded insufficient results for them (as they did not acquire ownership shares reflecting their global economic weight), they began pursuing regional and bilateral avenues for political and economic influence. The United States, as the largest stakeholder, obviously played a decisive role in the reform of the Bretton Woods institutions aimed at reflecting global economic power dynamics and strengthening decision-making legitimacy – a reform deemed insufficient by emerging economies.²⁸ With this, it also contributed to the weakening of the global financial system that had existed since the Second World War or, if we are lenient, to its fragmentation and movement towards a multipolar direction.

Although the failure of the Washington Consensus has led to a significant reform of the institutions in terms of the policies applied, the IMF and the World Bank continue to face criticism from developing countries and emerging markets, as well as from many NGOs. In this outline of the critiques, we highlight those that focus on the issues raised in the context of the most important challenges of our time. The reconsideration of these matters falls within the purview of the United States Department of the Treasury, which holds the largest ownership share in the IMF and the World Bank. Given that the Americans hold leading positions in determining the direction of these institutions and, together with European stakeholders, have decisive influence on most issues, it is their responsibility to be deliberate on these matters.

²⁶ The most significant factor behind the decline in GDP share in developed countries is that labour productivity is growing much faster in emerging and developing economies than in developed countries.

²⁷ WOODS 2008.

²⁸ The IMF quota and governance reform adopted in 2010 was blocked by the United States until 2015.

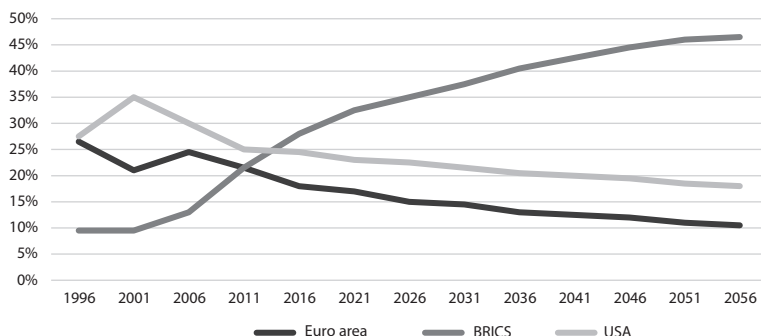


Figure 2: Trends in real GDP as a share of the world economy as a whole

Source: OECD Economic Outlook,
OECD long-term baseline projections

Note: Euro area (15): Austria, Belgium, Germany, Spain, Estonia, Finland, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Slovakia, Slovenia. Data for the other euro area countries were not available.

A contemporary critique of the Bretton Woods institutions

Even in the trade press, the news that the IMF had approved the latest allocation of its international reserve asset, the SDR, to its members in the amount of USD 650 billion, received a relatively muted response in August 2021. This SDR allocation²⁹ represents an issuance of unprecedented size in the history of the IMF and is expected to help the green transition and inclusive economic recovery globally following the Covid-19 pandemic.³⁰ Since the bulk of the allocation is held by the highest income countries (the proportions are illustrated by the fact that the size of the U.K.'s SDR allocation

²⁹ SDR allocation is based on the quota size of each IMF member country, i.e. the size of its economy.

³⁰ United Nations Development Program 2021.

is almost as large as the total share of the poorest countries), the G7 resolution calls for the richest countries to redirect their share of the allocation to the countries most in need. The criticism expressed, however, suggests that it is expected that the highest-income countries will offer a portion of the SDR allocation (no decision has been made on the amounts yet) back to Bretton Woods and other multilateral institutions. These institutions will then again allocate these resources to countries in need in the form of debt-generating loans under “harmful and time-consuming” conditions, further reducing the development space. In their communication, the NGOs point out, among others, that the U.K. should channel at least three quarters of the new SDR allocation available to it to poor countries (by contrast, an allocation of maximum of 10–20% is expected) and that, for financial sustainability, the new resources should be available in non-repayable form and without conditions.³¹ Some have also suggested that the SDR should be used as a public budget instrument rather than a central bank reserve to increase the effectiveness of crisis management.³²

A group of civil organisations examined the economic-social impacts and effects on climate change of the IMF’s surveillance function carried out through economic policy consultations under Article IV, and they also expressed significant criticism. According to the criticism related to the IMF’s five-year Comprehensive Surveillance Review (CSR) of its supervisory activities, the neoliberal economic model promoted by the IMF for decades has resulted in an accelerating climate crisis and increasing inequality worldwide.³³ According to the dramatic conclusions from an analysis of nearly 600 consultation reports conducted between December 2015 (the adoption of the Paris Climate Agreement) and March 2021 in the IMF’s 190 member countries, the IMF, despite being a vocal advocate in the fight against climate change in its rhetoric, has undermined global climate efforts through its policy advice activities. These activities, which often become government policy in borrower program countries, have supported the

³¹ Bretton Woods Project 2021.

³² ARAUZ 2021.

³³ NISSAN–SAALBRINK 2021.

spread of carbon-based solutions. This has further increased the dependence of developing countries on unclean energy sources, with significant negative impacts both locally and globally.³⁴

Similar views to those expressed with regards to the SDR allocation proposal, which put the governments of the beneficiary countries in a favourable position, have recently emerged regarding the activities of the World Bank Group. The Bank's financial instrument for the poorest countries is disbursed via its subsidiary, the International Development Agency (IDA), through its donor support programs. Major opinion leaders, including analyses published through the Project Syndicate,³⁵ draw attention to the need for direct provision of resources to governments for restarting the economy and mitigating the negative impacts of the pandemic. They also call for an end to the International Development Association's practice of channelling donor funds through institutions engaged in private sector financing, such as the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Criticism focused on problems of transparency of the institutions' activities and insufficient development impact.

Chinese interests in the global power arena

Looking back at the evolution of the U.S.–China relations over the past decade, particularly in the field of international finance, we can see significant changes, and moreover, unexpected turns. During the Obama Administration, the United States quietly reaffirmed China's aspirations by strengthening its financial power status.³⁶ Subsequently, the Trump

³⁴ SWARD et al. 2021.

³⁵ GHOSH–SIAL 2021.

³⁶ Chinese sources suggest that at the September 2015 meeting between Obama and Xi in Washington, an agreement was reached to recognise China's significant power status, on condition that its continued peaceful nature is ensured. The veracity of the information may be confirmed by the fact that the U.S. Congress approved the IMF quota and governance reform agreed in 2010 shortly after the meeting, in December 2015 (GU et al. 2016).

Administration openly expressed its suspicion regarding China's growing influence,³⁷ and at the same time, as part of the "Make America Great Again, MAGA" and "America First" concepts, it demanded greater contributions from its allies in joint initiatives, while at the same time backtracking on several international commitments.³⁸ In addition, Donald Trump, in a bid to maintain U.S. leadership, also engaged in a trade war with China, which ended up in a politically important trade deal (Phase 1 Trade Deal).³⁹ A significant part of these movements ultimately gave way to a further increase in Chinese involvement in the international arena, whereby Chinese involvement in international finance was further strengthened, absurdly reinforcing the trend towards a bipolar world order. The hostile, confrontational nature of U.S.–China relations continued under the Biden Administration.⁴⁰

It is also worth noting that even before China's own multilateral initiatives, it had already put in place on its own huge financial instruments (think of the China Development Bank or the China Eximbank), which were capable of financing projects on a larger scale than the World Bank. In addition, as part of its \$130 billion donor engagement, China already provided more aid in 2016 than the six Western-dominated multilateral development banks (World Bank, Asian Development Bank, Inter-American Development Bank, European Investment Bank, European Bank for Reconstruction and Development, African Development Bank) combined.⁴¹

2013 was a remarkable and busy year for Chinese diplomacy, particularly in terms of its impact on the multilateral world order. A few months after Xi Jinping took office, the initiative to establish a new China-led multilateral development bank, the Asian Infrastructure Investment Bank (AIIB), was

³⁷ The U.S. National Security Strategy, published in December 2017, refers to China as a competitor, challenger and revisionist power, along with Russia (The White House 2017).

³⁸ The Trans-Pacific Partnership (TPP), the Paris Climate Agreement, or the reduction of U.S. budgetary resources supporting multilateral development banks (including the World Bank) can be mentioned here, alongside the suspension of American funding for the World Health Organization and the withdrawal from the Iranian nuclear deal.

³⁹ Reuters 2020.

⁴⁰ PANDA 2021.

⁴¹ GALLAGHER et al. 2016.

announced, positioning China as a player in its own right in the multilateral arena. At that time, preparations were already underway for the establishment of the New Development Bank (NDB), an initiative with joint and equal ownership by the BRICS countries. In addition, an ambitious development program, the Belt and Road Initiative (BRI), modelled on the historic Silk Road, had also been announced.

Following the fading of the Washington Consensus reflecting Western values, the contours of the so-called Beijing Consensus⁴² emerged already in the first half of the 2000s. This later materialised in the BRI initiative and the complementary mechanisms surrounding it. The essence of the Beijing Consensus is that China does not make ideological or economic policy demands on the partners participating in the initiatives it implements, but builds on mutual benefits and, in principle, seeks to develop the partners' own motivations.⁴³ Of course, in a separate analysis of the limitations of own motivations, it is also worth examining the debt crises that have arisen associated with Chinese aid.⁴⁴

Many authors argue that institutions like the AIIB and other relatively new initiatives founded by emerging economies, such as the Silk Road Fund⁴⁵ or the NDB, were established primarily to finance the massive \$1.4 trillion BRI initiative.⁴⁶ With some 68 countries from Asia, Africa, Europe and Latin America as partners, the initiative represented 65% of the world's population and 40% of the global economy.⁴⁷ However, after reviewing the relevant literature, we found that while the BRI initiative, ostensibly aimed at increasing regional influence, primarily supports domestic political objectives (such as absorbing Chinese overcapacity, improving energy security, and addressing income disparities within the country), the new multilateral development banks also

⁴² RAMO 2004.

⁴³ BOROS–HORVÁTH 2021: 72.

⁴⁴ CHAKRABARTY 2020.

⁴⁵ China established the Silk Road Fund with \$40 billion, which is intended to support initiatives aimed at strengthening connections under the BRI initiative.

⁴⁶ The total funding for the BRI initiative is twelve times greater than the amount disbursed for European reconstruction under the Marshall Plan following World War II (Bloomberg 2016).

⁴⁷ CAMPBELL 2017.

serve the financing of global public goods. Although in the past their activities have only complemented the work of the Western-dominated development banks, the operating model and objectives of the new development banks, especially the AIIB, and their capitalisation in the longer term will allow them to go beyond regional financing and even to become a competitor to the U.S.-dominated World Bank. This is ultimately a reflection of the shifting geopolitical balance, with China and other emerging economies challenging the post-World War II financial world order.

Minilateral innovations

The changing world order and shifting geopolitical balances are well illustrated by the world of multilateral development banks. China's moves on the multilateral financial stage have been seen by many as a threat to the existing liberal international economic order. Nothing validates the legitimacy of development banks initiated by emerging countries more than the enormous development needs arising in Asia due to rapid population growth and unprecedented urbanisation. In terms of development needs, it is a telling statistic that the Asian continent is growing at an annual rate of 42 million people, which means that in about 30 years, the population will grow by another 1.2 billion people, and about 1 billion people are already exposed to the effects of climate change.⁴⁸

Financial agreements among so-called emerging powers, such as the NDB established by BRICS countries, the AIIB initiated by China, or the BRICS Contingent Reserve Arrangement (CRA) also initiated by the BRICS, can be interpreted as a response to the realisation that the governance structure of the Bretton Woods institutions does not reflect the realities of the global economy. Concerns about the spread of so-called 'minilateralism' were aptly summarised by Ngaire Woods, Professor at the University of Oxford, back in 2008, who argued that the global economy of our time is under serious threat from the status quo great powers' adherence to their well-established

⁴⁸ Asian Infrastructure Investment Bank 2018.

but outdated institutions, and that unless their behaviour changes, the scope for not only joint action but also deeper forms of global cooperation and shared goals between governments would diminish.⁴⁹

Reality then proved this prediction right. Even with the emergence of new forms of global governance frameworks, such as the G20, which brings together the world's largest economies, these formations operate as informal coordination platforms. Consequently, the common positions reached within their frameworks are by no means binding and can only be implemented through lengthy national legislative processes. The institutions that have grown up alongside global institutions, in the form of mechanisms based on flexible and often ad hoc cooperation between countries, are a particular form of multilateralism in the 21st century. These forms of cooperation, also known as minilateralism, are usually established between a small group of countries on a well-defined issue, to solve problems (in contrast to the failure to reach substantive agreements on decision-making reforms affecting the functioning and effectiveness of global institutions), and they adopt legally non-binding, rather voluntarily enforceable decisions.⁵⁰

While the Washington Consensus failed in Latin America and Central and Eastern Europe, multilateralism in Asia failed to deliver real results either in terms of responding to economic and financial crises or in terms of stabilisation. We only have to look back to the Asian financial crises of the 1990s and the global financial crisis of 2008 to see the effectiveness of the response of global financial institutions.⁵¹ As a consequence, China has itself become a driving force for so-called minilateral initiatives as part of its increasingly active foreign policy. While the United States has not sought to reflect a shift in the balance of power in global financial institutions, China, including through its initiative to establish the AIIB, has been focused to both reinforce its leadership in certain minilateral financial initiatives and to go beyond them. If we look at the AIIB, it is a regional problem-solving financial instrument (to develop Asian infrastructure) with a global perspective, as it explicitly seeks to attract non-Asian countries as institutional members. In the case of the AIIB, also known as the World Bank of China, there is no

⁴⁹ WOODS 2008.

⁵⁰ WANG 2014.

⁵¹ BRUMMER 2014.

evidence that China's aim in setting up the institution was to undermine the Western-dominated financial system. Rather, it was a response to the failure to reform the U.S.-dominated international financial system. At the same time, since the United States sees China as a competitor and challenger, there is little chance that international financial initiatives with Chinese participation will remain only complementary in the longer term, and China is expected to increasingly use them to serve its foreign policy goals.

*Europe and the Asian financial initiatives:
The example of the AIIB*

As we have already discussed, a significant turning point in the multilateral financial world came in 2015, when negotiations for the establishment of the AIIB concluded in Beijing. The bank's Chinese president expressed genuine surprise during the assembly of representatives from member countries in June 2016, stating how smoothly and swiftly the agreement on principles for the establishment and operation of the bank unfolded. He also underlined that the AIIB was committed to supporting the implementation of the Paris Climate Agreement and that the development projects would give priority to programs that are environmentally friendly, energy efficient and support the green transition. By establishing a bank to provide long-term financing for the infrastructure development needs of the Asia-Pacific region, amounting to USD 1,500–1,700 billion per year, China wanted to go beyond the world of various territorial initiatives (regarding the NDB and the CRA, see also the section entitled *Chinese interests in the global power arena*) and set out to create a financial institution with a universal membership. The success of the AIIB idea is also demonstrated by the fact that the AIIB was joined by founding members from outside the Asian region, including many of Europe's major economies, including Germany, France, Switzerland and the U.K. Canada, among others, applied for membership as part of a new round of accessions, bringing the total number of member countries from 57 at the time of its creation to 103 in the first five years of its operation (see *Table 1* for a comparison of the major global and regional development banks). The United States and Japan, obviously, are not expected to join the institution.

Table 1: Comparison of multilateral development banks

Institution	Year of foundation Seat	Mandate	Number of member states	Largest shareholders	Provision of resources in financial year 2019 (USD million)
EIB	1958 Luxembourg, Luxembourg	Innovation, small and medium-sized enterprises, infrastructure, environment and climate protection	27	Germany, France, Italy, Spain	56,514
IBRD, World Bank Group	1944 Washington, USA	Poverty reduction, shared prosperity	189	USA, Japan, China, Germany, France, United Kingdom	20,182
IDA, World Bank Group	1959 Washington, USA	Poverty reduction, shared prosperity	173	USA, Japan, United Kingdom, Germany, France	20,000
ADB	1966 Manila, Philippines	Infrastructure, environment, regional cooperation and integration, financial sector development, education	67	Japan, USA, China, India, Australia	16,470
EBRD	1991 London, United Kingdom	Agriculture, capital funds, financial institutions, ICT, market economy transformation, manufacturing, municipal infrastructure, nuclear safety, energy, transport	67	USA, France, Germany, Italy, Japan	8,470
IADB	1959 Washington, USA	Poverty reduction, fiscal policies, financial markets, infrastructure, human capital, knowledge and innovation systems, cities	48	USA, Argentina, Brazil, Mexico, Japan	10,574
AIIB	2015 Beijing, China	Sustainable infrastructure, connectivity, mobilising private capital	103, of which 16 are waiting to join	China, India, Russia, Germany, Korea, Australia	6,230*
NDB	2014 Shanghai, China	Clean energy, transport infrastructure, water management, water industry, urban development, economic cooperation and integration	5	Brazil, China, India, Russia, South Africa	915

Source: Annual reports in PRIZZON 2018; DevelopmentAid 2020.

Note: *2020

EIB: European Investment Bank; IBRD: International Bank for Reconstruction and Development; IDA: International Development Association; ADB: Asian Development Bank; EBRD: European Bank for Reconstruction and Development; IADB: Inter-American Development Bank; AIIB: Asian Infrastructure Investment Bank; NDB: New Development Bank.

In addition to the countries of Northern and Western Europe, Hungary was the second member of the Central and Eastern European region to join the AIIB in the summer of 2017, after Poland, and became the 56th member overall. Among the countries of the region, Romania and Serbia have also since joined the AIIB. AIIB membership gives European members direct access to the portfolio and new project opportunities of a dynamic bank with hundreds of billions of dollars in subscribed capital, providing new opportunities for European companies to supply or enter Asian markets directly. Membership in the AIIB thus enhances and expands Europe's room for manoeuvre. In case of Hungary, it supports the government's strategy known as the 'Eastern Opening', promotes regional cooperation at the corporate level in one of the most dynamically developing regions of the global economy, and opens up the opportunity to participate in large-scale economic development programs.⁵²

THE GLOBAL FINANCIAL SYSTEM
AND THE CHALLENGES IT FACES:
A RENEWED BRETTON WOODS?

In terms of the evolution of the economic-financial world order, we will examine not only the international institutional system but also the role of the dollar as the world currency. Partly due to the U.S.–Saudi agreement,⁵³ which stipulates that oil trade is settled exclusively in dollars, the dollar has understandably not lost its role as the primary international reserve currency. Thus, it continues to serve as a store of value, a unit of account and a medium of exchange globally. The dollar's status as the safest currency (safe haven currency) is not yet threatened by the euro or the emergence of new powers such as China. In case of the latter, the important function associated with the global currency, the existence of open and liquid financial

⁵² ÖRLÓS–BALOGH 2017.

⁵³ TRIA–ARCELLI 2020.

markets significantly hinders this. This is illustrated by the fact that three quarters of central banks' foreign exchange reserves are still held in dollars.⁵⁴

China has recently replaced Europe and Japan as the largest financier of the U.S. trade deficit. Since China's accession to the WTO in 2001, often referred to as the second Bretton Woods period, China has allowed countries with trade deficits, notably the United States, to maintain high internal liquidity, thereby sustaining domestic consumption and investment levels. At the same time, China has utilised currency regulation tools to help keep inflation low. However, under pressure from the United States, China was forced to abandon its fixed exchange rate to the dollar as early as 2005. As a result, the Chinese currency depreciated by 18% over three years. Thus, the renewed Bretton Woods system lost its validity already by the outbreak of the 2008 financial crisis.⁵⁵

*Processes affecting the global currency: Back
to the basics of Bretton Woods?*

Over the past ten years, the gap between the role of the dollar in the international financial system and the economic weight of its issuer, the United States, has widened: the United States now accounts for nearly 20% of total world economic output and 10% of world trade (for details, see the section entitled *Forced reform of global economic and financial governance: A new multilateralism*). However, the dollar's central role remains undiminished: one third of countries peg their national currencies to the dollar, 70% of global output is dollar-denominated, and 50% of global bank account output and two thirds of official foreign reserves are dollar-denominated.⁵⁶ Moreover, the dollar's leadership was not even challenged by the 2008 financial crisis, which reaffirmed its position as one of the safest financial instruments during a turbulent period.

⁵⁴ TRIA-ARCELLI 2020: viii.

⁵⁵ TRIA-ARCELLI 2020: 21.

⁵⁶ TRIA-ARCELLI 2020: 23.

From China's point of view, by moving away from the dollar standard in its own financial system, China wanted to create the conditions for monetary stability in the financial relations between America and Asia. The increasing exchange rate flexibility reflected the economic policy objective of shifting production capacity from external markets to internal consumption and from a production-oriented to a service-oriented system. With this change in economic policy, China is no longer interested in financing the U.S. deficit in the medium term. In his 2009 paper published by BIS,⁵⁷ Chinese central bank governor Zhou Xiaochuan went back to the Bretton Woods of 1944 and revisited the need for a supranational international currency fixed at a stable value. He called it impossible to address the issue of global macroeconomic imbalances and financial stability without a Keynesian *bancor*-type international currency, and suggested rethinking the role of the SDR. The Chinese central bank governor's proposal revolves around stability and rule-based approaches. In his view, a new international reserve currency should be linked to a stable benchmark and issued under clear rules. In addition, the supply of reserve currency must be flexible enough to adjust to changing demand in a timely manner. It is also crucial that this adjustment is independent of the economic situation and sovereign interests of any country. He also pointed out that there has never been a precedent in history for the acceptance of credit-based national currencies as leading international reserve currencies, clearly indicating the unsustainability of the dollar's role as the world's reserve currency.

Returning to the regulatory side, some ten years after the Chinese central bank governor's statement quoted above, Bank of England governor Mark Carney also spoke out in 2019 on the issue of overdependence on the dollar.⁵⁸ In his speech, he called on the IMF to create a new international financial system whose stability is linked to several currencies. The essence of Carney's thinking is that a flexible exchange rate regime is not suited to dealing with global economic shocks, maintaining stable output levels and ensuring price stability. The dominant role of the U.S. dollar in the international financial system, which, as we have already shown, is significantly greater than the

⁵⁷ XIAOCHUAN 2009.

⁵⁸ CARNEY 2019.

world trade weight of the United States, is the source of instability, and he therefore called for a multipolar financial system. In order to avoid a clash or a future currency war between the dollar and the Chinese currency, the renminbi, this multipolar system would be based on several international or even a single global reserve currency.

The U.S.–China trade war, as well as the pandemic, seem to accelerate the need for rethinking the framework of a new economic world order that ensures cooperation between nations. This has revived the old Keynes–White debate about the necessity of a global currency (see the section entitled *The U.S.-dominated economic world order*). As the debate resurfaces, the following factors seem to be emerging as factors that will definitely influence its evolution: 1. China's increased weight in the world economy and the growing vulnerability of an excessively globalised economy and trade linked to the restructuring of the world economy; 2. the technological and digital divide that affects trade and payment systems, including digital currencies outside the control of central banks; and 3. the potential for abuse of power, so to speak, by a future U.S. administration due to the role of the dollar in the world economy.

The latter aspect certainly raises the need for the multipolarisation of the world's financial payments system. China has made significant strides in this direction recently, as it was the first of the world's largest economies to test the central bank digital currency⁵⁹ in April 2020. A centralised and directly usable electronic renminbi (e-RMB) represents a significant challenge in itself for the United States and the dollar, which serves as the global reserve currency.⁶⁰ If China succeeds in creating a new payment system with the same efficiency as the U.S. financial system, it would have a direct impact on the position of the United States as a world power. As of June 2021, more than 24 million individual digital renminbi accounts had been opened, with transactions worth around \$5.4 billion.⁶¹ The Chinese central bank aims to ensure widespread domestic use in the short term and to also create the

⁵⁹ Central bank digital currency is a form of payment instrument that can be created digitally alongside cash and reserves.

⁶⁰ BOROS–HORVÁTH 2021: 68.

⁶¹ Atlantic Council s. a.

conditions for international transactions, and to make the digital currency available to foreigners.⁶² This means that China is expected to be the first country to officially introduce a central bank digital currency. Meanwhile, the United States is still in the research phase, while the Treasury Department and the Fed,⁶³ which acts as the central bank, officially announced their interest in creating a digital dollar, as it would allow for faster, safer and cheaper payment systems than the current ones.

More crises and new players in the financial system

The financial crisis of 2008 and the economic crisis of 2020, following an unexpected global health emergency, the coronavirus epidemic, highlight the legitimacy of the debate on the adequacy of the international financial system. The trade deficits, particularly the persistent and large imbalance between the United States and China, exert such constant pressure on the international financial system that it ultimately questions the credibility of the financial system in its current form. The fact that the United States continues to finance its accumulated deficit by printing dollars may raise doubts about the long-term sustainability of the dollar's central role.

The global pandemic has also brought the debate on deglobalisation to the fore, i.e. the need to reconsider the possible backsliding from high levels of globalisation in specific economic segments. The economic debate now suggests shortening and at least partial repatriation of the global value chains most exposed to economic, natural or geopolitical risks (which were actually the engines of international trade and global economic growth in previous periods). In addition, for reasons related to the technological and geopolitical competition, the process of decoupling between the two economic blocs under Western and Eastern influence is underway.⁶⁴ With the regionalisation of global value chains, the weight of world trade in the world economy will also decline. A typical example of relationship severance

⁶² People's Bank of China 2021; K H A R P A L 2021.

⁶³ C O X 2021; Federal Reserve 2021.

⁶⁴ T R I A - A R C E L L I 2020: 35.

can be found in the field of technology, where the “Clean Network” program was introduced to prevent Chinese companies from accessing American information and communication networks.⁶⁵

Meanwhile, in the world of financial systems, the private sector has transitioned from being an implementer to a system shaper. Platforms based on new technologies and otherwise privately owned have already created payment systems where the unit of account and store of value functions of money are irrelevant. Technology is now providing new kinds of effective solutions: the emergence of digital and cryptocurrencies,⁶⁶ technically (though not politically) creates the conditions for a global currency with characteristics similar to the Keynesian supranational money, which is at least partly a solution to the causes of global imbalances. The importance of this topic is illustrated by the fact that, for example, the issue of Facebook’s planned Libra payment instrument was discussed by the G7 finance ministers and central bank governors in the summer of 2019.⁶⁷ The essence of the project is to create a digital ‘stablecoin’ by pegging the exchange rate to a basket of currencies. However, the real significance of the initiative lies in the fact that in the longer term, private payment systems can be seen as a kind of challenger (or alternative) to the international financial system established at Bretton Woods, including the U.S. SWIFT and European TIPS payment systems, as they are a replacement for functions that affect the basis of sovereign power. The popularity of these digital payment systems is clearly due to their efficiency, which means measurable savings in terms of money and time. Moreover, this innovative solution provides an opportunity, especially in developing countries, for large groups of people who are not eligible for the banking system and are therefore excluded from it to become meaningfully involved in the economic circulation. It can be argued that with the Libra project and other cryptocurrencies, the private sector is already able to use advanced technology to create global currencies essentially based on the Keynesian model.

⁶⁵ GHOSH 2020.

⁶⁶ ÖRLÖS 2021.

⁶⁷ TRIA–ARCELLI 2020: 32.

SUMMARY CONCLUSIONS

The unipolar world order of the post-Cold War era was based on the leading power of the United States, both militarily and economically. The criticism of the Washington Consensus in the developing world at the end of the 1990s, the lack of substantial reform in the globally inclusive Bretton Woods institutions, their legitimacy deficit, and the decade-spanning global crises (the 2008 global economic and financial crisis, and the health, economic and social Covid-crisis emerging from the coronavirus pandemic in 2020) have accelerated the weakening of American leadership. The increasingly multipolar economic world order is taking shape in the form of new financial institutions and innovation in the financial system that are emerging alongside the Bretton Woods institutions. Indeed, in the post-pandemic recovery phase, China has further strengthened its position in the world, and its large-scale developments in digital money could in many areas transform the hitherto U.S.-dominated global power structure into a bipolar one. Europe is anticipated to maintain a reactive stance, without taking the initiative.

However, despite the strategic nature of the U.S. confrontation with China in the post-Covid crisis period, it is inevitable to take into account that the negative economic consequences of the epidemic will have to be reckoned with by all economies. This is mainly reflected in a significant increase in public and private debt levels.⁶⁸ In this context, looking at global economic trends over the last decade, we can expect a slowdown in the process of globalisation, criticism of excessive globalisation, an increasing role of the government in the relationship between market and government (especially in Europe), and a slowdown in the rate of economic growth. In the deglobalisation scenario, we can necessarily predict lower growth in the longer term, which, coupled with rising debt, implies the risk of another global financial crisis. That is why, as in the post-2008 period, the focus should now be on cooperation and the positive effects of the interconnected world. In our analysis, we have highlighted that in what

⁶⁸ SZABÓ 2021.

often seems to be a collision course of powers, Europe, including the Central and Eastern European region, is not averse to cooperating with the rising powers of the East thus exercising a connectivity agenda between global powers. It is also worth recalling that during the 2008 financial crisis, both the United States and China responded cooperatively. In the symbiosis of the macroeconomic imbalances embodied in the trade balances, the huge Chinese trade surplus then provided an opportunity to deploy a large fiscal stimulus package, while in the United States the so-called unconventional instruments of monetary policy were applied. By contrast, the Trump and Biden Administrations clearly opted for a policy of confrontation.

We do not know how the central position and hegemony of the dollar (which ensures the United States' leading role in our economic world order) will be affected by the economic policy measures necessary to avoid a potential new global recession, nor how these measures might favour the idea of a new Bretton Woods agreement. It is also not yet clear whether the new Asian-dominated multilateral development banks will in the longer term continue to complement the Washington-based international financial institutions, the IMF and the World Bank, or whether they will also take on global functions, as the bipolar nature of the world order becomes more pronounced. The awaited end of the Russia–Ukraine war may be followed by a chance for a new Bretton Woods agreement, which, in addition to recreating the common rules of international trade, also established a new financial and development policy regime, reflecting the dynamics of the world economy. It may even be that technology can now help to create the conditions for Keynes's vision of the future, articulated three quarters of a century ago.

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TEN YEARS OF THE UNGPS –
BUSINESS WORLD AND HUMAN
RIGHTS ON A COLLISION COURSE

INTRODUCTION

One of the defining features of the past half century or more is the growing impact of business on people's daily lives, working conditions, health, environment, information, expression of opinions worldwide, and thus on almost the entire spectrum of their fundamental rights.¹ Through the utilisation of resources, including job creation, investment, infrastructure improvement and innovation, economic and business activities make a significant contribution to the fullest possible realisation and enjoyment of human rights. On the other hand, however, the relationship between business operation and human rights has become more complex and contradictory as a result of the transnational nature of business operations that has become prevalent in the economic globalisation since the 1970s and also as a result of the emergence of platform-based businesses in the last decade. With the rise of the principle of shareholder primacy,² profit maximisation became predominant. Following the era of the "Washington Consensus"³ that began to take shape in the 1980s, weakening state regulation and the privatisation of public-interest or public-purpose activities the original aim of which is

¹ MCBETH 2010: 150.

² This is the principle of corporate law that was declared by the Michigan State Supreme Court in the case of *Dodge v. Ford Motor Company* [204 Mich. 459, 170 N.W. 668 (Mich. 1919)].

³ The "Washington Consensus", reflecting the ideas of the International Monetary Fund, the World Bank and the United States of America, encouraged developing countries and those leaving behind the centrally planned economic system to liberalise capital movements, to privatise more of their public assets and to reduce state regulation of the economy (see SORNARAJAH 2010: 49, 66; ÖRLÖS 2008: 24–26).

to enhance the enjoyment of fundamental rights became characteristic worldwide.⁴ As a result, human rights violations committed by or with the complicity of the business world also increased, which in recent decades has drawn attention to the need for responsible and human rights-respecting behaviour by big and especially transnational business and the need for more effective enforcement of states' human rights obligations. To use an analogy that fits the theme of this monograph: the business world and human rights often find themselves on a "collision course".

Following numerous unsuccessful attempts and extensive preparatory work, the Guiding Principles on Business and Human Rights (hereinafter: UNGPs), unanimously adopted by the UN Human Rights Council in June 2011, can be considered the first universal standard aimed at preventing and remedying the international human rights violations that are committed in connection with business operations. The UNGPs, celebrating their tenth anniversary this year, have become a benchmark in defining the limitations imposed on business operations in regards to human rights and in shaping the direction of international legal development since their inception. The UNGPs, which have three different normative pillars, expect both states and business actors to protect human rights. This paper, in tribute to the ten-year-old UNGPs, presents a retrospective overview of the circumstances of their development, the requirements they encompass, as well as the challenges they face moving forward. In doing so, it will first outline the distinctive features of business operations, in particular transnational and platform-based business operations, and their restrictive impacts on human rights (see section *Transnational and platform-based business operations and human rights*). The paper then describes the main stages of the journey leading to the creation and adoption of the UNGPs, as well as their structure and operating mechanism (see section *Circumstances and characteristics of the creation of the UNGPs*). It then looks at the dilemma surrounding its implementation, paying particular attention to the case law of the Inter-American Court of Human Rights (hereinafter: the Inter-American Court), and the possible impact of the UNGPs on Hungary's room for

⁴ For example, the privatisation of water services, which led to international legal disputes in many countries (see FUENTE 2003: 98–100).

manoeuvre and sovereignty, and how it can be placed in the relationship between the United States and China (see section *Implementation of the UNGPs*). Last but not least, the paper takes stock of the challenges and perspectives for the development of international law in the next decade, based on the last ten years.

TRANSNATIONAL AND PLATFORM-BASED BUSINESS OPERATIONS AND HUMAN RIGHTS

The freedom to establish corporations and the recognition of the members' limited liability only became widespread during the 19th century. However, their acquisition of shares in other corporations remained restricted for a longer period, as evidenced by an 1869 decision from a Georgia state court,⁵ due to fears of increasing their market, economic and political influence. It was not until the 19th century that the ban was first lifted in the U.S. state of New Jersey, and from then on the first groups of companies were formed.⁶ At the same time, the first truly transnational companies began to emerge.⁷

Although transnational business corporations had already appeared in the last decades of the 19th century and the first decades of the 20th century, they only became popular and widespread after the development of international trade, financial and investment protection networks and institutional systems in the 1970s.⁸ The 'golden age' of economic globalisation came after the collapse of the centrally planned economic systems in the second half of the 1980s and the consolidation of international trade and investment protection rules, during which transnational corporations became stronger,

⁵ Central R.R. v. Collins, 40. Ga. 582, 625, 630.

⁶ BLUMBERG 1993: 52–54.

⁷ One of the first transnational companies was the American sewing machine manufacturer Singer, which built a manufacturing plant in Glasgow, England, in 1882 (MULSCHLINSKI 2007: 10–11).

⁸ The Bretton Woods Conference in 1944 was the birthplace of the International Monetary Fund and the World Bank, while the General Agreement on Tariffs and Trade was concluded in 1947. The investment protection regime started to develop in the 1970s and spread worldwide in the 1990s.

both in terms of their numbers and scale of operations, and in their influence on the shaping of public and economic policies.⁹ Alongside the expansion of the regulatory framework for international economic relations, the rapid development of communication and transport also contributed significantly to the “transnationalisation” of business, and in particular labour-intensive production.¹⁰

The consolidation of international trade and investment protection relations provides an opportunity for large companies to outsource some or all of their business operations to countries where they can produce or supply at lower cost, either because of cheaper labour force or a more permissive general regulatory environment. Thus, ensuring cost competitiveness on the global market represents the primary incentive for establishing transnational business operations.¹¹ Transnational business relations take on multifaceted forms, involving increasingly specialised units of production and service activities spread across multiple regions and countries.¹² These units are interconnected by various contractual ecosystems, forming what are known as global supply chains, which essentially constitute the backbone of economic globalisation.¹³

A distinctive characteristic of transnational supply chains, and also the key to their competitiveness, is their ability to strategically combine operational locations in the most cost-effective manner within relatively short periods

⁹ According to a UNCTAD survey, while in the early 1990s there were about 37,000 transnational companies and 170,000 subsidiaries, by the early 2000s there were nearly 80,000 transnational companies and more than 770,000 subsidiaries worldwide (see United Nations 2007).

¹⁰ For example, the invention of the seemingly simple container revolutionised maritime transport (see PLS Logistics 2015).

¹¹ PAGER–PRIEST 2020: 2441.

¹² Apple used nearly 800 suppliers from 31 different countries to produce the popular iPhone in 2014. Walmart has 20,000 suppliers in China alone, while Nike has 8,000 suppliers in more than 51 countries. The French Total has nearly 900 subsidiaries and 16,000 outlets in 110 countries (BIRD–SOUNDARARAJAN 2020: 390).

¹³ Global supply chains account for 80% of world trade, 60% of production and more than 450 million jobs (see BIRD–SOUNDARARAJAN 2020: 384–388; United Nations 2013: 135). One in every seven jobs worldwide is connected to a global supply chain (see International Labour Organization 2015).

of time. Thus, in the context of transnational business, cost savings and their exploitation become almost the sole prerequisite for competitiveness in the global market.¹⁴ However, in many cases, cost-minimisation efforts are pursued at the expense of public interest regulations, such as labour, environmental, competition or human rights legislation, resulting in a “race to the bottom” between capital-importing countries to acquire transnational business operations.¹⁵ A number of serious human rights violations – such as the cases of Union Carbide in Bhopal, India¹⁶ or Royal Dutch Shell¹⁷ in Nigeria – can be linked to business operations with a transnational character. Corporate control over global supply chains, which constantly seek to reduce costs, is diminishing. Consequently, their operations potentially have adverse implications for human rights protection, while addressing violations – due to the transnational nature of business operations – often faces jurisdictional hurdles (*forum non conveniens*).¹⁸

Over the past decade, platform-based business operations, while taking an ever larger slice of communication and trade activities, have fundamentally reshaped the way we access and consume information, communicate and buy.¹⁹ A specific characteristic of platform-based businesses is that they are players in bilateral markets that seek not simply to compete in the market, but rather to shape, organise and manage competition.²⁰ One of the main reasons for this is that the value of a product in terms of its utility

¹⁴ Interview conducted by the author in June 2021 with Professor Robert Handfield (SÁNDOR 2021c). According to a recent survey, 70% of import purchasing decisions are based on price (MOUL 2020).

¹⁵ The phrase “race to the bottom” was first used by Louis Brandeis, an Associate Justice of the U.S. Supreme Court, to describe the competition between state regulations, which lowers the level of public interest protection. [New State Ice Co. v. Liebmann, 285 U.S. 262, 280, 311 (1932), and Louis K. Liggett Co. v. Lee, 288 U.S. 517 (1933)] (see PAGER 2020: 2438–2444; SZABÓ 2020: 47–48).

¹⁶ MANDAVILLI 2018.

¹⁷ African Commission 2001, or see MARINKÁS 2014: 137–141.

¹⁸ The difficulties of extraterritorial remedies for human rights violations are exemplified by the decisions of the U.S. Supreme Court in the cases of Kiobel v. Royal Dutch Petroleum Co. [569 U.S. 108 (2013)], and Jesner v. Arab Bank [PLC 584 U.S. (2018)].

¹⁹ See for example ROSEN 2018.

²⁰ PASQUALE 2018.

increases with the number of users or consumers it attracts, a concept known as the “network effect”. In case of two-sided markets or networks, this is complemented by the fact that the wider the consumer base using the services of a platform-based company in an intermediary position is, the more space it can offer to traders or advertisers, and vice versa. Through this vicious circle, an indispensable infrastructure – a kind of 21st century railway – is created that forces other market players, and possibly its own competitors, to become dependent on it.²¹ As in the case of transnational business operations, cost and pricing play a key role for platform-based companies, but the main objective is not to improve competitiveness but to achieve market dominance or monopoly.²²

Due to these distinctive characteristics, platform-based business enterprises seek to acquire a regulatory role in the market. Leveraging their acquired market dominance, they exercise a form of “functional sovereignty”, taking on regulatory tasks such as dispute resolution and others from the state, which can impact fundamental human rights.²³ Platform-based “digital public spaces” and “digital marketplaces” also affect human rights in other ways. Through their vertical integration efforts, they are able to influence the supply of several different markets, for example, Amazon’s operation has a significant impact not only on trade but also on the book market, which in turn has a restrictive effect on the freedom to inform or educate.²⁴ The automated public spaces of social media, due to the customisation and fragmentation of information, disrupt the process of forming public opinion and hinder the freedom of public discourse.²⁵ Finally, it is also worth mentioning that digital

²¹ KHAN 2018: 326, 331–332.

²² In platform-based markets, the demand for growth often exceeds even the demand for profitability. Dominant market position is achieved by large technology companies like Amazon or Facebook through predatory pricing below cost on the one hand, and vertical integration on the other (see KHAN 2017: 710–805).

²³ PASQUALE 2018.

²⁴ KHAN 2017: 713.

²⁵ Interview conducted by the author in May 2021 with Professor Frank Pasquale (SÁNDOR 2021a).

intermediary companies are hosting on their platforms applications that are complicit in serious human rights violations.²⁶

It can be seen that both the transnational business operations that have been growing since the 1970s and the platform-based business models that have gained ground in the last decade, although with different operational characteristics, have a negative impact on the enjoyment of human rights or the fulfilment of the states' human rights related obligations. The following section gives an overview on the international efforts to prevent and remedy human rights violations in the context of business operations.

CIRCUMSTANCES AND CHARACTERISTICS OF THE CREATION OF THE UNGPS

Recognising the impact of transnational business operations on human rights, a multilevel international legislative effort began in the 1970s aimed at identifying the human rights related constraints of business operations and at implementing and enforcing those constraints. On the one hand, international treaty-drafting efforts were launched in several waves. The United Nations Committee on Transnational Corporations (UNCTC)²⁷ began its work in 1975, focusing on transnational corporations. By 1990, the Committee had prepared a draft international treaty that aimed to regulate the rights and obligations of both transnational corporations and the states hosting them.²⁸ However, following the collapse of the centrally planned economic systems and the resulting change in the global economic

²⁶ Filmed in 2019, the documentary *Silicon Valley's Online Slave Market* explores how applications available on Google and Apple platforms are facilitating modern-day slavery in Saudi Arabia and Kuwait (PINNELL-KELLY 2019, and the documentary on the subject, see BBC 2019).

²⁷ The United Nations Committee on Transnational Corporations (UNCTC) was established by Resolution 1913 (LVII) of the United Nations Economic and Social Council on 5 December 1974 (United Nations Economic and Social Council 1974).

²⁸ The working committee was chaired by Swedish international lawyer Sten Niklasson and the draft treaty covered the treatment of transnational corporations, intergovernmental cooperation and the implementation of the rules of conduct in separate chapters.

environment, the initial compromise surrounding the draft treaty disintegrated.²⁹ The next treaty-preparation attempt began in 1998 within the framework of the Commission on Human Rights. As a result of this preparatory work, the document known as the *Draft UN Norms*, presented in 2003, imposed direct international legal obligations on transnational corporations and encompassed entire supply chains.³⁰ However, due to resistance from the business world and the lack of sufficient compromise between states, the *Draft UN Norms* were not adopted as a binding international legal norm.³¹ But despite the failed attempts to conclude a binding international treaty, the issue has remained on the agenda of the international community. In June 2014, the Human Rights Council adopted a resolution to draft an international treaty on regulating the relationship between transnational business activities and human rights,³² based on the initiative of South Africa and Ecuador, and work is still ongoing.³³

On the other hand, as an alternative to the unsuccessful international treaty-making efforts, international organisations have produced *soft law* documents on issues related to the relationship between the business world and human rights. Among these documents, notable are the OECD Guidelines adopted in 1976, which aim to protect investments and regulate the operations of multinational enterprises.³⁴ The OECD Guidelines, following their revision in 2000, now have a separate chapter on human rights related corporate obligations, which include the introduction of a human rights impact assessment and an obligation to provide remedy in the event of a violation.³⁵ The OECD Guidelines, although voluntary, are

²⁹ SAUVANT 2015: 56–62. After the states failed to adopt the draft international treaty, the UNCTC's powers were taken over by UNCTAD in 1994.

³⁰ United Nations 2003.

³¹ United Nations Commission on Human Rights 2004.

³² United Nations Human Rights Council 2014a.

³³ See United Nations Human Rights Council s. a.

³⁴ The Guidelines set minimum requirements for, among other things, transnational companies' labour relations and their activities affecting the environment and human health, and explicitly cover the relationship between the business world and human rights (OECD 1976).

³⁵ OECD 1976: II. Section 2.

complemented by a strong and complex control mechanism. On the one hand, the *OECD Committee on International Investment and Multinational Enterprises* (CIME) determines the content of the Guidelines by examining specific cases, and on the other hand, since 1979, *National Contact Points* have been in place to provide a forum for remedy and assist in the transposition of the Directive.³⁶

Following unsuccessful efforts to conclude a treaty and the development of soft law in international law, the UN Secretary-General appointed a Special Rapporteur in 2005 to define international human rights standards applicable to the business world, identify associated governmental regulatory and dispute resolution obligations, and develop human rights impact assessment methods for corporate operations.³⁷ The mandate of the Special Rapporteur accordingly did not involve preparing new international treaties but rather encompassed a comprehensive review of current international legal standards to systematise the responsibility of corporations for human rights violations. UN Secretary-General Kofi Annan appointed Harvard Professor John G. Ruggie to carry out these tasks.³⁸

In terms of timing, the preparatory work led by John G. Ruggie can be divided into three main parts. The first phase of this work provided an overview of current legislation and challenges around the relationship between the world of business and human rights.³⁹ The second phase of the work resulted in a recommendation on the theoretical framework for the relationship between the business operations and human rights. This framework, based on international human rights conventions, rests on three basic pillars. The first pillar is the state's international legal duty to protect against human rights violations by business enterprises, primarily through its legislative and dispute resolution activities. The second pillar is the responsibility of business enterprises to respect human rights throughout

³⁶ This is why Roel Nieuwenkamp, former chair of the OECD Working Party on Responsible Business Conduct, formulated that the OECD Guidelines are "soft law with hard consequences" (see NIEUWENKAMP 2013: 171).

³⁷ United Nations Commission on Human Rights 2005.

³⁸ United Nations Commission on Human Rights 2005.

³⁹ United Nations Office of the High Commissioner s. a.; RUGGIE 2007.

their operations based on a standard or duty of care (*due diligence obligation*). Finally, the third pillar is the provision of providing remedy in case of violation, which is an obligation for both the state and the corporate sector.⁴⁰ In the third phase of the work, the Special Rapporteur elaborated the theoretical framework in detail and made it operational. This resulted in the creation of the UNGPs, which was unanimously endorsed by the Human Rights Council on 16 June 2011.⁴¹

It is important to underline that the UNGPs did not create a new international legal obligation, but rather a system of provisions contained in existing human rights instruments, such as the International Covenant on Civil and Political Rights or the International Covenant on Economic, Social and Cultural Rights, applicable in the business context.⁴² The UNGPs, consisting of 31 principles in total, are also divided into three main parts, following the three-pillar structure of the previous framework. In relation to the existing duty of the states to protect fundamental rights, the UNGPs stipulate that this is a standard of conduct under which states may be held liable under international law for failing to establish the regulatory environment or to take the public authority measures necessary to prevent, investigate, remedy or punish violations committed by business enterprises. Different and stricter rules apply to states when they participate in the business operation as owners of a business enterprise. In this case, they must carry out human rights due diligence, where possible, to prevent human rights abuses by businesses with which they have any tie or connection.⁴³ Economic globalisation is facilitated by the rules governing international economic relations. However, in many cases, these rules hinder and restrict the ability of states to create and adopt regulations that protect public interests necessary for the safeguarding of human rights. Moreover, the

⁴⁰ RUGGIE 2008.

⁴¹ United Nations Human Rights Council 2011.

⁴² UNGPs, Principle 12.

⁴³ UNGPs, Principle 4. In the UNGPs' reading, the relationship or connection between the state and a business enterprise may be established not only by the existence of ownership or control, but also by the existence of substantial state support to the enterprise, such as export credits, insurance services or other support.

difference between the strength and effectiveness of international economic and human rights protection mechanisms gives *de facto* primacy to international economic obligations at the expense of human rights requirements.⁴⁴ It is therefore an important provision of the UNGPs that states must draft treaties governing their international economic relations, such as trade, investment protection or financial relations, in such a way that they can continue to enforce their human rights obligations without hindrance.⁴⁵

The second pillar sets out the content of the responsibility of business enterprises to respect human rights, also in line with the human rights conventions in force,⁴⁶ and is a key step in promoting responsible business conduct.⁴⁷ One of the biggest innovations of the UNGPs is the stipulation that business enterprises have a responsibility to respect human rights regardless of whether or not states have fulfilled their duty to protect, and in substance, it means that they must refrain from committing human rights violations in the course of their business operations and must remedy the adverse impacts of their operations on human rights.⁴⁸ To this end, the UNGPs essentially outline a process for enterprises to follow to demonstrate respect for human rights. At the heart of this is the human rights due diligence, the essential function of which is to enable business enterprises to identify, prevent, mitigate and account for how they address their impacts on human rights or those of others in their supply chains. This represents a continuous obligation, or ‘vigilance’ if you will, aimed at protecting human rights by striving to integrate the perspectives of not only the shareholders but also the stakeholders affected by business operations, such as contractual partners, employees and local communities, into corporate decision-making.⁴⁹

Finally, the third pillar provides for the requirement of remedy, which is a key aspect of business and human rights, because the protection and respect

⁴⁴ JOSEPH 2016: 473–474; SZABÓ 2019: 225, 228.

⁴⁵ In the context of international investment protection law, this is pointed out by VAN HARTEN 2013: 158–164.

⁴⁶ UNGPs, Principles 11–24.

⁴⁷ RASCHE–WADDOCK 2021: 236–237.

⁴⁸ UNGPs, Principle 11.

⁴⁹ RUGGIE et al. 2021: 186–189.

of rights means little without the possibility of redress for violations.⁵⁰ This obligation, in addition to being a fundamental right recognised in human rights conventions by itself, is linked to both the first and second pillars of the UNGPs, as it is a requirement for both the state and business actors.⁵¹ The core of the requirement for effective remedy is state-based judicial dispute resolution, but according to the UNGPs, this should be supplemented and supported by a variety of non-judicial remedy mechanisms, both state-based and non-state-based, forming what is referred to as a 'bouquet of remedies'. To borrow Joseph M. Wilde-Ramsing's apt analogy from human anatomy, the judicial path is the backbone of remedy, while the various non-judicial remedial avenues are more like the sensing fingers: without a backbone, the stability of the remedial system is broken, but the sensing ability of the fingers is also essential for a remedial system that can flexibly and smoothly recognise and creatively address injustice.⁵² The advantages of non-state complaint mechanisms, typically run by business enterprises, their industry associations or even the OECD National Contact Points,⁵³ include the fact that they offer remedy while relieving the burden on state courts, are flexible to the cultural specificities of a country or region, protect the reputation of the company concerned and provide important feedback for the fulfilment of the human rights related duty of care (standard of conduct) as per the second pillar.

IMPLEMENTATION OF THE UNGPS

The UNGPs are a significant milestone, rather than an end result, in the evolution of the law governing the relationship between the world of business and human rights.⁵⁴ Consequently, simultaneous implementations on several levels play a key role not only in their enforcement but also in the

⁵⁰ DEVA 2012: 107–108.

⁵¹ UNGPs, Principles 25–31.

⁵² WILDE-RAMSING 2018: 82–84.

⁵³ RASCHE-WADDOCK 2021: 236–238.

⁵⁴ DEVA 2021: 350.

consolidation of this soft law document into an international legal obligation. Implementation is taking place in parallel within the UN framework, at state level and through the case law of certain human rights monitoring mechanisms. This paper briefly touches on the first two, while for the latter it goes into more detail on the progressive understanding developed by the Inter-American Court.

In 2011, the Human Rights Council established a working group of five experts whose main tasks include monitoring the implementation of the UNGPs.⁵⁵ It has also institutionalised an annual forum that serves as a global platform for discussing the practical and theoretical challenges and difficulties surrounding the implementation of the UNGPs.⁵⁶ Among numerous other challenges, the B-Tech project deserves mention here for exploring implementation issues related to digital innovations.⁵⁷ Although not strictly related to transposition, it is worth noting that the drafts developed in the course of the international treaty preparation work from 2014 onwards make use of many of the solutions and idea that have been recognised and adopted in the UNGPs, and in this sense many authors in legal literature consider the UNGPs the starting point for an international treaty on business and human rights.⁵⁸

The implementation at state level, mainly based on the call by the Human Rights Council in 2014, primarily proceeds through the creation of National Action Plans (NAP).⁵⁹ NAP is a public policy document in which states set out the strategy and the means by which they will meet the obligations of the first and third pillars of the UNGPs. Its main purpose is to identify gaps in the protection of rights in business operations and to offer an effective, coherent, state-specific and monitorable implementation strategy.⁶⁰

⁵⁵ United Nations Human Rights Council Resolution 17/4. The mandate of the working group has been extended by the Human Rights Council on several occasions.

⁵⁶ See United Nations Human Rights 2011.

⁵⁷ United Nations Human Rights 2019.

⁵⁸ DEVA 2021: 13–15.

⁵⁹ United Nations Human Rights Council 2014b.

⁶⁰ See United Nations Working Group on Business and Human Rights 2016.

Currently, more than twenty countries have developed and adopted NAPs, with a significant number of them being EU Member States.⁶¹

So far, the Czech Republic, Poland, Lithuania and Slovenia have adopted NAPs in the Central European region. The implementation of the UNGPs essentially sets a framework for the development of rules for the economic and business sphere of a given country. In a certain sense, it reduces the regulatory space and sovereignty of a given country as the rules and regulation of the world of business necessarily become less flexible due to the imposition and enforcement of human rights requirements: the actors of the business world enjoy less freedom. It can affect the competitiveness of both the country and its domestic companies. Hungary, like other Central European countries, may be affected by the creation and implementation of the UNGPs in two main ways: as a capital importer, i.e. as a country hosting the supply chain of many large companies, and as a capital exporter, i.e. because of the regional expansion ambitions of domestic companies. In both cases, when implementing the UNGPs and preparing the NAP, the country should strive to minimise the reduction of its room for manoeuvre and thus its competitiveness as much as possible. On the one hand, as a capital-importing country, it must enforce human rights standards that protect its population without losing its attractiveness and appeal in the competition for foreign direct investment. On the other hand, Hungary has also emerged as a capital-exporting country in recent decades, which is clearly visible in the regional expansion efforts of large companies such as OTP and MOL, among others. In this respect, Hungary has an interest in ensuring that the UNGPs requirements are implemented in a way that does not impose excessive cost increases on its companies, does not jeopardise their competitiveness and the realisation of their regional ambitions, and does not put them at a competitive disadvantage vis-à-vis companies of countries where the UNGPs are not or not fully implemented. In this light, while the implementation of the UNGPs reduces the country's room for manoeuvre in some respects, the smart and streamlined design of the NAP,

⁶¹ See United Nations Working Group on Business and Human Rights 2016.

tailored to the country, can mitigate this reduction in room for manoeuvre in the short term and even ensure benefits in the longer term.

From a broader perspective, however, it must be taken into account that, on the one hand, the Central European countries, including Hungary, are members of the single European internal market and, on the other hand, the UNGPs are on the way to becoming a universal norm of international law, whether through treaty, customary law or judicial development, and to be enforced worldwide. However, due to the combined effect of these two factors, Hungary's overall foreign economic room for manoeuvre may even increase. Indeed, the implementation of UNGPs has a mitigating effect on the "race to the bottom" phenomenon mentioned earlier. In practice, this may mean that transnational supply chains will realise smaller cost benefits from outsourcing production and services to countries with much weaker public interest protection regulations, typically developing, low-cost countries (LCCs). This may lead them to relocate some or all of the outsourced production back to a region closer to the home country (*nearshoring*),⁶² where transport costs, risks, administrative burdens and lead times are lower and where the implementation of the UNGPs may mean less change and cost increases. Hungary can provide a competitive location for Western European production chains returning to the European market, thanks to its skilled but cost-competitive workforce, excellent academic ecosystem and sufficient infrastructure. All this can increase the country's overall foreign economic room for manoeuvre and development potential.

In connection with the development and adoption of the NAP, it is worthwhile to discuss the relationship between the world of business and human rights in the context of the United States and China, two influential players in the modern global economy. Both countries are significant exporters and importers of capital and also political and economic rivals. First, it is necessary to note that both the United States and China were members of the UN Human Rights Council, which unanimously supported the UNGPs,⁶³ and show a commitment to the recognition of the negative impact of business on human rights and the need to provide remedy in case

⁶² Kearney 2021.

⁶³ See United Nations Human Rights Council 2022.

of violation. This is evidenced by the fact that on the occasion of the tenth anniversary of their adoption, both countries have committed themselves to the importance of the spirit of the UNGPs.⁶⁴ However, it is noteworthy that while the United States is already preparing to revise and update the NAP adopted in 2016,⁶⁵ China has not yet adopted such a document at all. It is in an extraterritorial context, i.e. in its role as a capital exporter, that China is most open to the enforcement of the human rights requirements of the business operations.⁶⁶ In view of this, and also in the light of the often voiced – not entirely well-founded – criticism that human rights are mostly tied to the thinking of the Western world, or even a product of it,⁶⁷ from a geopolitical perspective, the question is whether and how regulatory efforts surrounding the relationship between the business world and human rights can play a role in the U.S.–China great power competition. In the commemoration of the U.S. State Department quoted earlier, there is an indirect reference to this.⁶⁸ Moreover, historical experience going back to Woodrow Wilson shows that U.S. foreign policy has never been averse to promoting and actively spreading a specific form of governance, as well as weakening governments that deviate from this form.⁶⁹ Simultaneously, China and the Chinese Government are facing a number of human rights-related criticisms. Will regulatory efforts regarding the relationship between the world of business and human rights inevitably force the United States

⁶⁴ The U.S. Department of State issued a solemn press release to mark the occasion (U.S. Department of State 2021). The Chinese position will be presented at a conference to mark the tenth anniversary of the UNGPs (Chinese Stakeholders Consultation Seminar 2021).

⁶⁵ See National Action Plans on Business and Human Rights s. a.

⁶⁶ China's controversial relationship with the business world and human rights is examined in detail by CERNIC 2016: 135–159; see also ROSSER et al. 2020.

⁶⁷ This is discussed in detail by GLENDON 2002.

⁶⁸ In the commemoration of the U.S. State Department quoted earlier, there is a reference to this: “We know that companies thrive and economies prosper when there is strong rule of law and adherence to human rights and fundamental freedoms [...]”

⁶⁹ For instance, U.S. President Woodrow Wilson made the recognition of a government conditional on the government that had come to power on dubious constitutional grounds demonstrating, by referendum or free elections, that it enjoyed the support of a majority of the population.

and China onto a collision course? The answer to this question is not yet known with absolute certainty, but the current and upcoming decades of UNGPs implementation, and in particular the related state practices, will be revealing in this respect.

In addition to the NAP, the broader implementation of the UNGPs includes legislation that specifically seeks to prevent or remedy human rights violations related to the operations of transnational corporations or their supply chains. The earliest roots of this trace back in the United States to the Alien Tort Statute, adopted approximately 250 years ago in 1789, which allows foreign nationals to bring civil lawsuits in U.S. federal courts for violations of international law.⁷⁰ However, since the adoption of the UNGPs, the number of such national laws has multiplied. In California, one of the first such modern laws, the *California Transparency in Supply Chains Act*⁷¹ was passed in 2010, followed by the U.K. *Modern Slavery Act* in 2015, the French *Loi de Vigilance* in 2017⁷² and the *Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten*⁷³ in Germany in 2021.

While every international human rights monitoring mechanism has faced dilemmas concerning the relationship between the business world and human rights in its jurisprudence, only the Inter-American Court has thus far developed a progressive and leading approach in this regard. It explicitly invokes the UNGPs for addressing such challenges, and its case law plays an innovative role in their interpretation and development. As early as the 1980s, the Inter-American Court recognised and required the right to a remedy in cases where business actors violate the provisions of the Inter-American Convention on Human Rights.⁷⁴ In addition, the Inter-American system of legal protection also recognises the horizontal

⁷⁰ 28 U.S. Code § 1350.

⁷¹ See BONTA s. a.

⁷² Loi n° 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre (1).

⁷³ The text of the adopted law is available at *Beschlussempfehlung und Bericht*.

⁷⁴ Inter-American Court, *Velásquez Rodríguez v. Honduras*, 26 June 1988, paragraph 91. It confirmed the positive duty of the state to protect: *Inter-American Court, González and Others v. Mexico*, 16 November 2009, Series C, No. 205, paragraph 284.

effect of the rights guaranteed by the Convention, i.e. the responsibility of non-state actors to respect human rights.⁷⁵ Over the past decades, particularly in the South American region, the increase in foreign investments related to raw material extraction and mining has led Inter-American human rights forums to examine multiple times the dilemma of human rights constraints within the business world, acknowledging the correlative impact between the two.⁷⁶ This is reinforced by the fact that within the framework of Inter-American human rights mechanisms, a special rapporteur has been appointed to address these issues.⁷⁷ Their report released in January 2020 scrutinises questions related to the relationship between the world of business and human rights, such as privatisation of public services and information technology.⁷⁸

The decision in *Kaliña and Lokono Peoples v. Suriname*, related to the Suralco mining concession, specifically referenced the UNGPs. The ruling elevated the rehabilitation of the affected area to a “shared obligation” between the host state and the company being involved in the operation.⁷⁹ Based on the UNGPs, the Inter-American Court emphasised that the state must conduct an impact assessment prior to the establishment of a mining concession, for which it is liable, and that companies must operate in a manner that respects and protects human rights and must be accountable for any negative impacts on human rights.⁸⁰ In the most recent case law, a concurring opinion by Judge Patricio Freire pointed out that the UNGPs have become part of the interpretation of the law by the Inter-American Court.⁸¹

In addition to its case law, the Inter-American Court, in its Advisory Opinion OC-23/17 issued in 2017, stated in principle that states are required to follow the provisions of the UNGPs to protect and safeguard human

⁷⁵ GONZA 2016: 358.

⁷⁶ See Working Group on Mining and Human Rights in Latin America 2014.

⁷⁷ See OAS 2014.

⁷⁸ See CIDH 2019.

⁷⁹ Inter-American Court, *Kaliña and Lokono Peoples v. Suriname*, 25 November 2015, paragraphs 224–226, 290.

⁸⁰ MONDRAGÓN 2016: 55–57.

⁸¹ Inter-American Court, *Spoltore v. Argentina*, 9 June 2020.

rights in relation to business entities. It also emphasised that companies must prevent or mitigate, as well as be accountable for the negative human rights impacts of their business operations.⁸² In addition, the Inter-American human rights system implicitly accepts and applies certain parts of the UNGPs in dozens of its decisions. This includes human rights impact assessments prior to investments and developments, opportunities for participation by affected local populations in investment decisions, and the significance of both state and non-state grievance mechanisms.⁸³ Generally speaking, the UNGPs are seen as a minimum expectation, a starting point, in the reading of the Inter-American human rights system.

CONCLUSIONS: PERSPECTIVES FOR THE UNGPS AND THE DEVELOPMENT OF INTERNATIONAL LAW

The recognition of the negative impacts of business operations on human rights has been a long and challenging journey spanning several decades, culminating in the creation of the UNGPs. These universal principles reflect a compromise and serve as a common platform for states, businesses and civil society organisations. While they were essentially a response to the failure of international legislation and treaty-making efforts to bridge a significant regulatory gap, the past decade has shown that the work of hardship and compromise has paid off. Not only because of the vibrant and intense legislative and legal development that has taken place in the area of regulating the relationship between the business world and human rights, but also because the gravitational pull of the ten-years old UNGPs is clearly visible in both international law and state legislative and legal development efforts. Like the Universal Declaration of Human Rights of 1948, the UNGPs of 2011 have become a point of reference or benchmark

⁸² Inter-American Court Advisory Opinion OC-23/17, 15 November 2017 (Series A, No. 23), paragraphs 154–155.

⁸³ Debevoise & Plimpton 2021: paragraph 716.

and, if the practice and public perception of states so justifies, can begin the process of becoming customary international law.⁸⁴

Accordingly, the central and inescapable role of the UNGPs in the development of international law can be seen at several points. They have had an important formative influence on the interpretation and development of other soft law documents regulating restrictions on business activities from a human rights perspective, such as the OECD Guidelines.⁸⁵ Furthermore, the UNGPs also serve as a starting point in the ongoing preparations for the international treaty making process, demonstrated by the fact that the main direction of the drafts, supported by academic circles advocating for the UNGPs,⁸⁶ is evolving in accordance with the main points and requirements of the UNGPs. In other words, it prepares the ground on which an international treaty with sufficient consensus among states can be built. The UNGPs also has a significant impact on the case law and general legal interpretation of universal and regional human rights control mechanisms, with the Inter-American Court shaping the most progressive and leading interpretation in this regard.

In addition, the UNGPs have been instrumental in the reform of international economic relations, including the regulation of investment protection treaties, and the law of international trade and financial organisations, in particular the World Trade Organization and the World Bank. By becoming part of these international economic treaties, the UNGPs can integrate the human rights considerations and requirements that they seek to enforce in their interpretation, thus regulating or taming economic globalisation.⁸⁷

⁸⁴ KOVÁCS 2009: 64.

⁸⁵ For example, the OECD has incorporated the UNGPs into its Guidelines.

⁸⁶ For example RUGGIE 2014.

⁸⁷ Reform efforts toward incorporating human rights can be observed, for example, within the frameworks of UNCITRAL (investment rules) and UNCTAD, as well as in certain bilateral investment protection agreements, such as the 2016 agreement between Morocco and Nigeria, and during the creation of the Pan-African Investment Code. Some authors in the legal literature have explicitly called for the incorporation of the UNGPs, for example KRAJEWSKI 2018. On the reform efforts and the establishment of an internal investigative committee in the context of the World Bank, see SZABÓ 2019: 237.

Lastly, through its soft law nature and via the NAPs, the UNGPs inspire state legislative efforts, which over time could influence a cohesive state practice and public perception necessary for certain parts of the UNGPs to solidify into customary international law. This is also supported by the fact that many large companies recognise the UNGPs as an integral part of their corporate policy and so-called corporate social responsibility. One well-known example of this is Facebook, which, among other considerations, assessed the U.S. President's behaviour related to the 6 January 2021 events in Washington, D.C., in accordance with the UNGPs.⁸⁸ If business enterprises consistently adhere to human rights norms in their market operations, governmental legal regulations will, in turn, respond accordingly. Over time, similar to developments observed in other legal domains, this could potentially pave the way for the crystallisation of international legal norms.⁸⁹ This shows that the UNGPs intersect with the ecosystem regulating the human rights constraints of business operations at numerous junctures. It also has the gravitational force of being seen as a reference point for new regulatory efforts in this field.

The business operations of transnational and platform-based corporations are on a collision course with internationally recognised human rights. But this could also widen the foreign economic room for manoeuvre of Central European countries, including Hungary. Given their geographic location and EU membership, these countries can provide a competitive production location for Western European supply chains, which are also being restructured by the UNGPs. Finally, from a geopolitical perspective, it is necessary to note that regulatory efforts surrounding the relationship between the world of business and human rights may also play a role in the U.S.–China big power competition. One of the intriguing questions of the decade could be whether the regulatory efforts surrounding the world of business and human rights, which are already on a collision course, will also force the United States and China into a clash in this area. Monitoring

⁸⁸ See, for example, SÁNDOR 2021b.

⁸⁹ JOHNSON 1998: 340–351. For more details see also SÁNDOR 2018: 313–329.

and evaluating state practice in this area can therefore be interesting not only in the context of the development of customary international law, but also in the context of great power rivalry.

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Csaba Krasznay

THE TECHNOLOGICAL ASPECTS
OF CYBERSPACE: THE U.S.–CHINA
RIVALRY AS SEEN FROM BUDAPEST

INTRODUCTION

The hardware is Chinese, the software is American. If you had to sum up in one short sentence what is one of the most worrying trends of the 21st century for the digital sovereignty of Europe and Hungary, this is probably what most technology experts would say. But of course, as we will see, if we start to expand this sentence and dig deeper into the real context, the situation is not so black and white. Except that Europe, and Hungary in particular, actually has a small and shrinking space in which to develop the technologies that will underpin the fourth industrial revolution.

It is no coincidence that the political agenda of the new leaders of the European Commission elected in 2020 put a strong emphasis on regaining Europe's digital independence. The two industry agreements announced in July 2021, the Alliance for Processors and Semiconductor Technologies and the European Alliance for Industrial Data, Edge and Cloud, were important steps in this direction. As Margrethe Vestager, Executive Vice-President of the European Commission responsible for a Europe fit for the Digital Age, said:

“Cloud and edge technologies present a tremendous economic potential for citizens, businesses and public administrations, for example in terms of increased competitiveness and meeting industry-specific needs. Microchips are at the heart of every device we use nowadays. From our mobile phones to our passports, these small components bring a wealth of opportunities for technological advancements. Supporting innovation in these critical

sectors is therefore crucial and can help Europe leap ahead together with like-minded partners.”¹

There are real, well-recognised geostrategic interests behind the announcement; however, its implementation is not straightforward due to decades of lag, the outsourcing of manufacturing to Asia for economic reasons, and primarily the successful brain drain to the USA. An example of the latter is Andy Grove, one of the founders and later Deputy Director of Development at Intel, one of the architects of the microchip manufacturing revolution, born in Budapest as András István Gróf, who left Hungary in 1956 to start a new life in the United States. Or, as an example, many of the author's university classmates from the 2003 graduating class of electrical engineers and computer scientists have also found the fulfilment of their professional careers in the USA. So the challenge for Europe's leaders is how to reverse the trends – where are the points of intervention? Especially in a situation in which both the United States and China are seeking to move the European Union and its individual countries according to their own interests, thereby reducing the possibility of creating an autonomous space for manoeuvre. The U.S. wants to achieve this by restoring and strengthening multilateral relations, and China by seemingly favourable investment agreements.²

THE GEOPOLITICS OF RAW MATERIALS

Let us perhaps start with the question of raw materials for hardware, in an extremely simplified form! The fourth industrial revolution, the foundation of modern digital society, is based on ubiquitous information technology, the Internet of Things (IoT). In the early 2020s, we are already surrounded by nearly 20 billion networked IT devices, from the clearly visible computers and smartphones to the smart robot vacuum cleaners and internet-enabled washing machines that dot our homes, to the invisible sensors that help manufacturing and utilities run invisibly to the average

¹ European Commission 2021a.

² MÁRTONFFY-NYSTROM 2021: 43–59.

person. The production of these devices requires the availability of raw materials from which the products can be created, the knowledge to design the hardware components, and finally, manufacturing capacity to not only produce the individual hardware components but also assemble them into the final products.

Two important raw materials are needed to make microchips: silicon and pure water. Seemingly both of these materials are available in infinite quantities on Earth, but in reality there are obstacles to obtaining them due to the high purity requirements. Of the two, silicon is perhaps the easier to produce, being the second most abundant chemical element on Earth after oxygen. The U.S. Geological Survey's annual flash reports show that 8,000 tons of silicon used to make microchips are processed each year. Of this, China alone accounted for 5,400 tons in 2020, highlighting the enormous appetite for raw materials that characterises the Eastern superpower.³ The United States accounted for 290 tons, ranking fifth after Russia, Brazil and Norway. But access to clean water is not so easy in China. It is no coincidence that some experts believe that the Himalayan water resources are behind the border tensions with India, as the resources from there could perfectly serve the manufacturing needs. The provinces of Kashmir, Aksai Chin and Ladakh are rich sources of water, and the Taklamakan desert is ideal for building a major manufacturing infrastructure because of its sand.⁴

Other important raw materials are the rare earth elements scandium, yttrium, lanthanum, cerium, praseodymium, neodymium, promethium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium and lutetium. Contrary to their name, these metals are available in significant quantities on Earth and are widely used in the manufacture of electronic products, including smartphones and wearable smart devices. However, in the most commonly cited application, which is the production of long-life batteries, the primary metals needed are not rare earth elements but rather lithium, manganese and cobalt. These metals are used in the production of lithium-ion batteries.⁵

³ SCHNEBELE 2021.

⁴ TEWARI 2021.

⁵ GORRILL 2019.

Indeed, the mining of genuine rare earths has been a virtual Chinese monopoly since the early 2000s, with 90–95% of world production in China at the start of the millennium. However, in 2010, after a Japan–China incident in which the Japanese authorities arrested the crew of a Chinese fishing boat sailing in a disputed stretch of sea, China cut back its exports, causing noticeable disruption worldwide. After lengthy negotiations within the World Trade Organization, the WTO, the original Chinese export volumes were restored by 2016. This has encouraged the exposed countries to diversify extraction of these materials. In 2020, with unchanged production, China accounts for only 58% of global production, with the United States second with 16%, followed by Myanmar, Australia and Madagascar.⁶ In the long term, Brazil and Vietnam could even take China's place, reducing its hegemony, which is indeed significant in the short term.⁷

By contrast, the extraction of cobalt and lithium is indeed cumbersome and geographically concentrated. For lithium, the largest reserves are in South America, in the Argentina–Bolivia–Chile triangle. It is followed by Australia, which is currently the largest producer, and then China, whose companies are becoming increasingly large shareholders in mining companies in the South American region. Australia currently mines 40,000 tons, Chile 18,000 tons and China 14,000 tons, while the total world mining volume is 82,000 tons.⁸ The largest cobalt mines are in the Democratic Republic of Congo – also mainly Chinese-owned. China controls 86.5% of Congo's cobalt exports, supplying the metal mainly to its own industry, preventing access to this raw material for companies in other countries.⁹ This figure, in the light of the fact that world production in 2020 totalled 140,000 tons, of which the DRC alone produced 95,000 tons, clearly illustrates how crucial ownership of raw material sources remains in the 21st century. It also highlights how consciously China has taken control of this, partly

⁶ DAIGLE–DECARLO 2021.

⁷ ERDEY et al. 2019: 281–295.

⁸ JASKULA 2021.

⁹ RAPOZA 2021.

by leveraging its own mines and partly through the acquisition of large corporations, even in distant parts of the world.¹⁰

We can see, therefore, that the strategic threat is not so much the lack of rare earths and rare metals, but rather access to them, which may become more difficult due to the decreasing but still very strong Chinese control. From a European perspective, one of the cornerstones of digital sovereignty would therefore be that if we have manufacturing capabilities, we should also have access to the necessary raw materials. In the case of rare earths, Greenland, which belongs to Denmark, could be mentioned as an example of a country with huge reserves, but it is perhaps more appropriate to study continental Europe, where research suggests that there may be significant deposits, for example in Hungary. For instance, at the Nagyhasány bauxite deposit, substantial concentrations were identified as early as the 1970s.¹¹ Lithium production has also started in several countries, with 900 tons of metal already coming from Portugal, and further investments are planned in Finland, Germany, Austria and the United Kingdom.¹² There is also potential for cobalt mining, as there are currently 509 known sources across 25 European countries. However, mining operations are currently active in only three mines in Finland. Other significant opportunities exist in Sweden, Norway, Poland, Germany, the Balkans and Turkey.¹³ In silicon production, France, Iceland, Norway, Spain and Ukraine have world-class mining capacities.¹⁴

But mining is traditionally a very polluting industry, so even if increased extraction were to start in Europe, it would likely face significant public opposition due to environmental concerns. It is therefore worth considering recycling instead. According to a 2018 article by Jowitt and his co-authors, for example, only 1% of rare earths are recycled, for a variety of reasons including lack of appropriate technology and the issue of economical extraction.¹⁵

¹⁰ SHEDD 2021; KALANTZAKOS 2020: 1–16; BIHARI 2020: 26–35.

¹¹ GOODENOUGH et al. 2016: 838–856.

¹² SCOTT 2021.

¹³ HORN 2021.

¹⁴ SCHNEBELE 2021.

¹⁵ JOWITT et al. 2018: 1–7.

However, if we look at the issue from a digital sovereignty perspective, in the long run it may be worth investing in the necessary recycling innovation. Even in Hungary, which is among the leading countries in Europe, only 51.1% of e-waste is currently recycled, whereas the European average is only 40%. And with the advent of the Internet of Things, e-waste is becoming more and more abundant, so it makes sense to focus on recovering the materials that have already been mined, rather than on primary, polluting mining. The European Union's regulatory system is moving in this direction, as for example the European Parliament resolution of 10 February 2021 on a new Circular Economy Action Plan or the European ban on the import of minerals from conflict zones – wrapped in the core values of human rights and environmental protection – gradually limits the possibility of importing primary raw materials controlled by China.¹⁶ It remains questionable, however, whether alongside restricting imports, it will be feasible to ensure the sufficient domestic production of resources necessary for the European industry. With the right supply chain, even successes like the one reported in Apple's U.S. Product Coverage Report can be achieved. This report shows that 98% of the rare earth metals in the iPhone 12 are recycled.¹⁷ This, of course, requires the creation of global companies like Apple that can control the entire supply chain. In the end-user market, only U.S. and Chinese companies are currently able to do this, although sustainability is not yet a priority for the latter.

THE GEOGRAPHY OF HARDWARE MANUFACTURING

The next step towards digital independence is to transform raw materials into components and then into finished products. Continuing the previous line of thought, silicon should be used to make chips, lithium and cobalt to make batteries, and rare earths to make sensors, speakers and displays, among other things. However, designing and manufacturing these requires highly specialised knowledge and technology. It is not surprising, therefore,

¹⁶ European Parliament 2020.

¹⁷ Apple 2020.

that significant manufacturing concentration can be observed regardless of which component is considered. However, as we will see, in each of the areas examined, the U.S. and Asian countries other than China dominate, so component design and production are currently much less dependent on China than the news reports might suggest.

Among the 15 highest revenue semiconductor (microchip) companies, there is not a single Chinese company included. The largest company is Intel, followed by Samsung of South Korea and TSMC of Taiwan. The list of the 15 largest companies includes eight from the U.S., two from South Korea, two from Taiwan, one from Europe, and one from Japan.¹⁸ Since this list reflects revenue, it primarily showcases design and sales capabilities. But if we focus on manufacturing, we see that the world's microchip supply depends on one small island, Taiwan. It is home to 63% of the world's manufacturing capacity, with a single company, TSMC accounting for 54%. In second place is South Korea with 18%, almost all of which is Samsung. China is at 6%, including the largest semiconductor manufacturer SMIC at 5%. GlobalFoundries, the largest U.S. producer, that also has significant European capacities, accounts for 7% of global production.¹⁹

It is not surprising, therefore, that one of the most important economic policy implications of the Covid-19 epidemic, after facing the global semiconductor shortage, was the need to diversify supply chains and protect current sources of supply, specifically Taiwan. The analysis of Tamás Csiki Varga and Péter Tálas on the Biden Administration's foreign policy strategy clearly highlights the importance of Taiwan: "The most tangible example of the strategic rivalry between Washington and Beijing, and the most acute point of escalation, is Taiwan, where the Biden Administration has moved from diplomatic offensive to provocation and humiliation of Beijing to a show of military force, using various means with greater intensity than previously seen, in a new phase aimed at containment."²⁰

The authors do not go into the reasons for this in detail, but note that, in addition to security, international trade, financial and development

¹⁸ FLAHERTY 2021.

¹⁹ LEE 2021.

²⁰ CSIKI VARGA – TÁLAS 2021: 10.

considerations, supply chain protection and technological competition are also important. A possible conflict between China and Taiwan would be an immediate problem for the world economy, as more than half of semiconductor production would be lost. The impact of this can be imagined, if we recall that during the pandemic, due to logistics becoming more challenging and demand for consumer electronics increasing, Hungarian automotive factories had to shut down multiple times because they could not procure essential electronic components needed for modern cars on time.²¹

Therefore, diversification is inevitable. But it is neither easy, nor cheap. Taiwan's TSMC alone has innovated more than \$100 billion in its own factories, making it the only two companies with Samsung capable of producing the most advanced microchips. The manufacturing metric for microchips is the feature size, measured in nanometres. Since 2018, TSMC has been capable of manufacturing chips with a 7-nanometre feature size, and from 2020, they have extended this capability to 5 nanometres. They are currently in the development phase of 3-nanometre chips. Samsung also started manufacturing 5-nanometre microchips in 2020. At the same time, Intel has been able to achieve 10 nanometres since 2018, with the 7-nanometre feature size not expected to be reached until 2023.²² Meanwhile, China's SMIC aims to invest around \$9 billion to set up a factory capable of producing 12-nanometre chips.²³ This company is also on the latest U.S. ban list, so the investment will have to be made without using U.S. technology.²⁴ European capabilities currently allow for production at 16 nanometres, but the Alliance for Processors and Semiconductor Technologies aims to get below 10 nanometres as soon as possible, with a long-term target of 2–5 nanometres.²⁵ It should be added that most devices do not require such small feature sizes, so there is a benefit to investing in cheaper but less advanced technology.

²¹ HVG 2021.

²² SUN 2021.

²³ HONG 2021.

²⁴ The White House 2021.

²⁵ European Commission 2021a.

The market for lithium-ion batteries is also dominated by Asia, but again production is not concentrated in China. In fact, this is an area where Europe is ahead of the curve and can successfully compete with its Asian rivals, thanks mainly to its advanced automotive industry. At least in terms of production capacity, because none of the largest manufacturers are European, only factories are being relocated to Europe at a huge pace, as is the case with SK Innovation, a South Korean company that is building a manufacturing base in Iváncsa, near Dunaújváros, in the largest greenfield investment in Hungary's history, which will be approximately the same size as the world's largest facility, the Tesla Gigafactory in the U.S.²⁶ Thanks in part to this latter factory, one of the largest manufacturers currently is the American company Tesla, along with its technology supplier, the Japanese company Panasonic. Other major players include South Korea's LG Chem and Samsung SDI, as well as China's CATL and BYD.²⁷

Thanks mainly to the automotive industry and the green revolution, lithium-ion battery production is therefore growing dynamically, with a projected total capacity of 3,000 GWh in 2030, compared to 500 GWh today. Currently, China accounts for 72.5%, Europe for 5.4% and North America for 9.2%, but by 2030 China's share is projected to fall to 66.9%, while Europe will account for 16.7% and the U.S. for 11.9%. To this end, significant economic policy measures are also being taken. For instance, just as the Hungarian Government supported SK Innovation's investment, the Swedish company NorthVolt is planning major developments in Germany, and the French company SAFT is planning significant advancements in France, both with the encouragement of their respective governments.²⁸ In the United States, the development of manufacturing capacity has become a strategic area of intervention in the wake of a survey carried out based on a presidential executive order.²⁹

²⁶ HIPA 2021.

²⁷ ULRICH 2021.

²⁸ MOORES 2021.

²⁹ U.S. Department of Energy 2021.

Electronic products ultimately take their final form in assembly plants. The market for contract manufacturing companies is collectively known as electronic manufacturing services (EMS), and 90% of the revenues of the top 50 companies are generated in Asia. The largest of these is Taiwan-based Foxconn, which has its largest factories in China. They assemble products of some of the best-known brands, such as Apple's iPhone. Other important players include Taiwanese companies like Pegatron, Wistron and New Kinpo Group, American companies such as Jabil and Sanmina, the American–Singaporean company Flex, as well as Chinese companies like BYD Electronics and USI, and the Canadian company Celestica.³⁰ Several of these companies have interests in Hungary, and Videoton has one of the largest assembly plants in Europe. There is less need for intellectual capital in this area, with factories typically being set up where production is cheapest, so as Chinese wages have risen, factories have started to spill over into other Asian countries such as Vietnam, Indonesia and Thailand. As we have seen in Hungary on several occasions, such factories are relatively easy to relocate to other countries and are therefore less important in terms of strategic dependence.³¹ Though, it is true that logistical problems can cause significant disruption even when the goods are coming not from China, but from another Asian country, as was the case when the Ever Given cargo ship blocked the Suez Canal in May 2021. This is why China's activities in the South China Sea and the security of the Straits of Malacca are a cause for concern, as if this shipping lane is closed, the finished assembled products will not reach Europe, or will take longer to reach Europe.

SOFTWARE, DATA, CLOUD

The foundation of the Internet of Things is provided by hardware components. Whether we examine the origin of components or finished products, they primarily come from Asian manufacturers, especially Taiwanese-based

³⁰ CLARKE 2021.

³¹ Mordor Intelligence 2021.

ones. But they are worthless if there is no software ecosystem that enables them to work, and no network connection that connects the Internet of Things into the real Internet. Without them, the key foundations of the fourth industrial revolution will not be possible and the digital data created by machines will not be properly processed in the cloud. Following this chain, we come to the conclusion that American dominance is nearly complete in the key areas.

As every end user probably knows, it is the operating systems that make the hardware work. In the world of computers, these are typically Microsoft Windows, Linux, which is open source and therefore comes in many forms, and Apple macOS, which is little used in its market segment but still highly regarded. For smartphones and tablets, Google Android and Apple iOS are the most popular. Other smart devices are typically based on some version of Linux, and industrial process control systems are typically based on Windows or Linux. Of course there are other solutions, but they are marginal. Of the software vendors listed, Microsoft, Apple and Google are all American. Linux is community-developed, but the underlying kernel can still only be modified with the final permission of its first programmer, Finnish–American Linus Torvalds. As a good illustration of how this situation benefits the U.S. Government, after Google was banned from licensing Android to China’s Huawei in 2019, Huawei was forced to come up with its own operating system, Harmony OS. However, its market share remains negligible, and users widely rejected its adoption. This was such a blow to Huawei that it was forced to sell its Honor smartphone brand to a government-backed company independent of the parent company in order to survive in the market. Once this happened, they regained their Android license, which clearly demonstrates the indispensability of American software.³²

At the end of the 20th century, at the dawn of the internet, operating systems were designed to run user software. Several seemingly indispensable, massive software developer conglomerates emerged, which during the Internet boom of the turn of the millennium often became completely insignificant, replaced by new, dynamic enterprises primarily built on

³² PORTER 2021.

data-driven digital services. Twenty years after the revolution, it is interesting to compare the difference between traditional software and data-driven companies! Based on 2020 revenue data, Microsoft is the largest traditional software company with \$118.2 billion in revenue and a market capitalisation of \$946 billion. The next runner-up, Oracle, also from the U.S., has “only” 39.6 billion dollars in revenue and a capitalisation of 186 billion dollars. The top 10 list includes eight American, one French and one German company, most of them developing financial and business management software.³³ Meanwhile, Apple tops the list of the world’s most valuable companies, with a market capitalisation of \$2,550 billion at the time of writing, followed by Microsoft with \$2,263 billion (more than double the value in 2020), and then Alphabet, the parent company of Google, ranks third with \$1,924 billion. The first non-technology company on the list is Saudi Aramco oil company, worth \$1,870 billion. Of the 20 most valuable companies, 11 are linked to the digital world, two of them Chinese.³⁴

It is a good indication of the world’s semiconductor appetite that four of these companies come from the world of microelectronics manufacturing. However, this is likely to be a seasonal blip, with data and cloud infrastructure companies holding their place in the most valuable companies list for years. Apple, Microsoft, Google and Amazon own a significant part of the world’s cloud computing capacity, and Google, Amazon and Facebook have the largest repositories of digital data. Chinese companies Tencent and Alibaba also build their services primarily on data and the cloud. In its justification for the creation of the European Alliance for Industrial Data, Edge and Cloud, the European Commission pointed out that currently less than 1% of cloud service revenues are being delivered to European providers, indicating their negligible presence in the market.³⁵

Moving data to the cloud and generating new knowledge there requires the mention of two more technologies. These are 5G, i.e. fifth generation mobile communications, and artificial intelligence, the priority role of which is also mentioned in Hungary’s National Security Strategy 2020:

³³ BizVibe 2020.

³⁴ Marketcap 2021 (status on that day).

³⁵ European Commission 2021b.

“Power competition is increasingly extending to global commons: there is escalating rivalry over international waters and resources therein, control over the Arctic region and outer space, and dominance in cyberspace. With the rapid advancement of humanity’s technological capabilities (digitalization, fifth-generation wireless networks (5G), space technology, etc.), new opportunities and challenges constantly emerge, impacting the security of our country. The development brought about by 5G technology could potentially enable revolutionary advancements that may generate significant changes in our society and economy. [...] The development of revolutionary technologies is a matter of strategic importance. The security of our country requires that we pay particular attention to research and development, as well as its defensive components, in key areas such as cybersecurity, artificial intelligence, autonomous systems, and biotechnology.”³⁶

The most visible confrontation in the U.S.–China tech race is also taking place in the data – 5G – artificial intelligence triangle. Indeed, 5G serves as the “highway” for the Internet of Things, the foundational infrastructure upon which the digital economy can thrive. Meanwhile, artificial intelligence relies fundamentally on data for its operation. So whoever owns these three technologies will dominate the fourth industrial revolution. In international diplomacy, therefore, the U.S. Government has exerted significant pressure to sideline Chinese 5G companies. Specifically, the aim is to make Huawei and ZTE impossible to use because of their practices that threaten national security.³⁷ The exact details of this allegation have not been shared with the public, but several allied countries have joined China’s ban on 5G technology in an attempt to prevent the Chinese Government from influencing modern economies in the coming decades. Less visibly, the two countries have introduced reciprocal export restrictions on AI technologies and are actively regulating the use of AI.³⁸ In the case of data aggregator companies, there is no real dependency between the two countries, as U.S. services such as Google’s search engine or Facebook’s social networking site have no real presence in China, just as Baidu’s search platform or WeChat’s social

³⁶ Government Resolution 1163/2020 (IV. 21.) on Hungary’s National Security Strategy.

³⁷ SHEPARDSON 2021.

³⁸ Reuters 2020.

networking site are not really used outside China and Chinese nationals. However, the social service TikTok of the Chinese company ByteDance started spreading in the West, and solutions from Tencent and Alibaba are also widely used. This led to serious consideration of placing these companies on a blacklist during President Trump's tenure.³⁹

THE TECHNOLOGICAL RIVALRY BETWEEN THE USA AND CHINA – AS SEEN FROM BUDAPEST

Looking at Hungary's foreign economic indicators, China is the second most important import partner after Germany. This is not surprising, considering that China is a primary source of important raw materials for the Hungarian economy. Exports, on the other hand, show a strong deficit (€7,926.6 million in imports and €1,813.5 million in exports), as the export volume to China is surpassed by many other European countries. In terms of the U.S., however, there is a positive balance, with imports of €2,042.7 million and exports of €3,133 million in 2020. Germany, the largest trading partner, shows a trade balance of €24,372.9 million imports and €29,253.7 million exports.⁴⁰

So the sheer numbers show that the United States is a less significant trading partner for Hungary, and therefore it may be more worthwhile to explore Chinese opportunities instead. But if we look at the issue from the perspective of security of supply and national security, the picture is much more complex. From a technological point of view, Hungary is much more exposed to U.S. digital products and services, and our alliance system and western orientation mean that there is much more trust and knowledge towards U.S. solutions. Below, we will review and analyse the areas previously examined from the perspective of Hungary's security, taking into account European strategies.

³⁹ ALPER–PAMUK 2021.

⁴⁰ Hungarian Central Statistical Office 2023.

The question of raw materials

The European Union lists 30 raw materials that are critical for the economy. This list includes all the materials mentioned earlier, such as silicon, rare earths, cobalt and lithium.⁴¹ China is the EU's source of 98% of rare earths, while 70% of China's global cobalt exports are subject to restrictions, for example due to human rights abuses. Meanwhile, the demand from industry is growing exponentially. This is the subject of the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – *Critical Raw Materials Resilience: Charting a Path towards Greater Security and Sustainability* – which sets out a 10-step action plan.

For Hungary, the procurement of raw materials for production is particularly important in the field of batteries, as significant production capacity is being built in the country. There are a number of steps that can be taken to support European action to reduce our exposure:

- ♦ Action 3 is to launch critical raw materials research and innovation in 2021 on waste processing, advanced materials and substitution, using Horizon Europe, the European Regional Development Fund and national R&I programs. As Hungary has a very high e-waste recycling rate, it is worth taking advantage of this opportunity.
- ♦ Action 4 aims to map the potential supply of secondary critical raw materials from EU stocks and wastes and identify viable recovery projects by 2022. Here it is worth assessing the potential for rare earth extraction in Hungary.
- ♦ Action 6 aims to develop expertise and skills in mining, extraction and processing technologies, as part of a balanced transition strategy in regions in transition from 2022 onwards. Given the centuries-old tradition of higher education in mining in Hungary, it may be worthwhile to launch a targeted degree program or specialisation to transfer knowledge related to the extraction of rare earths, and to develop training courses related to recycling.⁴²

⁴¹ European Commission 2020b.

⁴² European Commission 2020a.

Among these options, waste recycling is included in the National Smart Specialisation Strategy (S₃) – 2021–2027 plan. According to the chapter of S₃ entitled *Resource-efficient Economy*, the objective is to “strengthen the circular economy to reduce environmental burden, strengthen RDI activities to minimise waste and enhance the diffusion of innovations and the adaptation of good practices in this direction”.⁴³ It should be highlighted that, in terms of raw materials, this is important not only to reduce the environmental burden, but also for security of supply. Strengthening mining capabilities is not included among the priorities, so it is worth developing this at institutional level, with the participation of the universities concerned in international innovation projects.

Opportunities in hardware manufacturing

The establishment of the Alliance for Processors and Semiconductor Technologies clearly shows that the European intention is to (re)build its own semiconductor manufacturing capability. However, the example of TSMC and SMIC mentioned earlier shows that this represents an investment of billions of euros. In addition, the knowledge to create this capability is not there, because the Europeans who have the knowledge are obviously working for American companies that use the latest technologies. The European Union is therefore moving towards developing skills and capabilities. It seeks to acquire lost knowledge, to buy companies where expertise is available and to secure supply chains.⁴⁴

For lithium-ion batteries, the aim is mainly to improve access to raw materials and manufacturing capabilities. The European Battery Alliance was founded in 2017 and has more than 600 members. Hungarian participation is marginal, with only 3 Hungarian companies participating, while there is no Chinese company among the members. In Europe alone, €60 billion was invested in electromobility in 2019, three times the amount invested in China. The European Horizon program will invest €1 billion

⁴³ National Research, Development and Innovation Office 2020.

⁴⁴ European Commission 2021b.

in research and development. This is perhaps the area where European knowledge has the best chance of becoming a leader.

The issue of assembly is not mentioned by the European Union as a strategic dependency issue. Europe, including Hungary, has seen the establishment of a number of assembly plants which are unlikely to be in danger of closure after the supply chain disruption caused by the pandemic. However, it should be recognised that acquiring knowledge of modern assembly technology is key for the Hungarian economy. This is why we must strive for training at European level. In addition, research into new types of materials and production technologies should be supported, in line with the National Smart Specialisation Strategy. This knowledge can realistically be acquired through European cooperation, in line with European development aspirations.

One of the most important sources of Hungary's economy is assembly, which is heavily affected by the Sino–U.S. disputes both directly, through the electronics assembly plants established here, and indirectly, for example through the use of microchips by car manufacturers, but primarily by the issue of Taiwan's independence and secondarily by the situation of South Korea. As the security of both countries depends heavily on U.S. support, U.S. actions and alliance requests in the region cannot be ignored. In this area, meanwhile, Hungary's exposure to China is much lower, and in this area there are no large investments on a scale similar to the other two Asian countries. In addition, it should be noted that the much-debated Fudan University has been rumoured to create faculties of science and engineering in Hungary, but from a technological point of view there is currently no base in the country where the knowledge taught there could be put to practical use.

Data economy in Hungary – Between two great powers

From the perspective of the fourth industrial revolution, the most interesting and strategic question is who will own the information and knowledge derived from the data. From the U.S. perspective, the situation is worrying because, while U.S. technology companies clearly dominated the field in

the past, in the 2010s Chinese competitors have come up with cheaper and sometimes better-quality products and services, often at the cost of infringing U.S. intellectual property. In simple terms, the question for the two great powers is who controls the transmission networks, who owns the cloud and who can best exploit artificial intelligence. It is no coincidence that the most spectacular political struggle is in the area of ousting Chinese 5G players and regulating American data aggregator companies.⁴⁵ The cloud is perhaps less in the spotlight, thanks to the breakthrough of a new technological trend, the so-called edge cloud, which keeps data inside organisations rather than in the big (mainly U.S.) data centres we have known so far.

The European Commission estimates that by 2025, 80% of the data generated will be processed in the edge cloud, where there are currently no dominant companies. The Commission sees significant opportunities in software services alongside edge clouds, and hybrid 5G networks built and supplied by various manufacturers could also ensure strategic independence. But this will require a significant increase in investment, given that the EU invests €11 billion less a year in cloud technology than the U.S. or China, and that European companies are less likely to use this technology, mainly because of a conservative development mentality and mistrust. With the creation of the European Alliance for Industrial Data, Edge and Cloud, this situation may change. But there is a significant gap to fill, which is perhaps easier than addressing the geographical challenges outlined earlier.⁴⁶

This is an area that is given a prominent place in Hungary's strategies. The three strands of the National Smart Specialisation Strategy (Digitalisation of the Economy priority, Services priority, Creative Industries priority) also address the problems identified by the EU. Hungary's National Security Strategy mentions the challenges posed by 5G and artificial intelligence. Within the Digital Success Program, the Government gives priority to data assets, 5G and artificial intelligence. These efforts typically emphasise the development of own skills, in line with European action. The country is dependent on solutions from the U.S. and China, despite the fact that it actually has excellent potential of its own.

⁴⁵ BOROS-KOLOZSI 2019: 258–280.

⁴⁶ European Commission 2021b.

First, Hungary's digital data assets are significant but mostly untapped. The primary beneficiaries of the digital data produced by citizens are currently U.S. data aggregation companies – just like in other European countries. The development of a domestic data market is therefore of paramount importance both economically and in terms of digital autonomy. 5G networks are developed by foreign companies (German, British, Czech), the basic technologies used are typically Chinese (Huawei and ZTE), but European solutions are also present (Ericsson, Nokia). While Huawei “only” has its primary European manufacturing centre in Hungary, European manufacturers also have R&D centres in Hungary, and thus bring significantly higher added value to the Hungarian economy. In the field of cloud services, Hungarian usage is low even by European standards, and there is no significant cloud capacity in the country. However, a number of Shared Service Centres (SSCs) has been set up in Hungary, which we can further develop to participate in the advancement of edge clouds. The situation is similar for artificial intelligence. The country does not have significant capabilities, but on the ruins of what was once a world-class mathematics education, we still have excellent data science education, and several U.S. data and AI companies operate development centres in Hungary, building on this intellectual capital.

CONCLUSIONS

If we look at Hungary's position in the Sino–American struggle purely in terms of strategic dependence, there can be no question on whom our country's cyberspace depends. With the exception of raw materials, a significant proportion of the hardware and software technology is based on U.S. expertise, whereas their manufacturing technology comes from Asian countries allied with the U.S. There is no denying China's significant advance in the world of digital technologies, but with the exception of 5G – where there are significant European manufacturers also present in Hungary – there is no real Chinese participation in either Hungary or Europe. If we take into account the restrictive measures taken by the United

States and the European Union's own measures, it is unlikely that there will be any significant change in this area in the next decade.

The question may arise whether it is in Hungary's interest to reduce our technological dependence on the U.S. by using Chinese technology instead. If we look at the examples where this has happened, such as HIKVision solutions in public surveillance, Huawei devices in the national emergency call system and national 5G networks, we find virtually without exception companies that have been embargoed by the U.S., so they cannot build on U.S. knowledge capital in their development. In addition, national security concerns are raised regularly, at least the domestic press and U.S. diplomacy strongly articulate these assumptions.

The question naturally arises: why not work with Chinese solutions if they are "cheaper and better"? As digital technology is highly innovation-intensive and requires very large investments, the Chinese model that the product should be both cheap and good is becoming less and less sustainable. For a very long time, the prerequisite for cheapness was that the basic technologies were acquired by large Chinese companies through solutions that were legally highly questionable, not necessarily respecting intellectual property, and often with employees working in the factories under inhumane conditions, for very low wages. Meanwhile, the best Chinese minds were being groomed in American universities, at no cost to the Chinese education system. By the mid-2010s, it became clear that none of the above three conditions could be sustained. The protection of intellectual property has become a priority, Chinese wages are rising and Chinese universities are innovating in their own right. Prices are therefore rising.

But will Chinese products be "better" than American ones? It is always up to the market to decide, and the digital technology market is typically influenced by aspects such as marketing, which is less well used by Chinese companies. The U.S., and in particular the Silicon Valley, will retain for a very long time two capabilities that China and Shenzhen cannot match. These are the multicultural, creative environment, which we can safely call a successful brain drain, and the flexible availability of capital, in

other words capitalism itself. The Chinese culture and political system will not be able to reproduce these parameters, which are crucial for innovation, for a long time. It is premature, therefore, to envision the decline of Western technological superiority and to bet on the superiority of Eastern technology – as is true for all other aspects of the U.S.–China competition.⁴⁷

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⁴⁷ GYÓRFFY 2021: 159.

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CENTRAL EUROPE'S ROOM FOR
MANOEUVRE VIS-À-VIS WASHINGTON

INTRODUCTION

In the history of mankind, we can only list a few dozen inventions that have drastically changed our way of life, our habits and our social structure in a short space of time. These include the steam engine, which launched the industrial revolution, the automobile, which boosted mobility, the internet, which shrunk the world in one fell swoop, and the invention of the smartphone, the embodiment of pocketable privacy. The list should undoubtedly include the emergence of big-tech in the mid-2000s and the social media that embraced it. Their social impact and influence are very difficult to measure accurately, but it should certainly not be underestimated.

They enable the instant sharing of information, the channelling of different opinions, the identification of customer preferences from thousands of kilometres away. Nowadays, especially after the pandemic, we shop online, we are confronted with personalised ads, we take photos of everything, we 'like' everything, we can send a message to anyone from anywhere in a split second, or can even organise protests. Seemingly all the information is available with a quick search, with many of the language barriers rendered obsolete by sophisticated internet translation software. Big-tech has certainly made our lives easier: it entertains us, preserves our memories, connects us, opens a window to the world.

Free, innovative, fast and built around a careful marketing strategy, its irresistible virtual dream world has attracted a mass of individuals and businesses looking for attention, networking and messaging. As a result, the number of people with a Facebook account has reached 2.89 billion

by 2021,¹ and the number of active Google users has even exceeded that.² The sudden change brought about by big-tech against our will convinced even the initially sceptical, social media-defying people in a short time: we accepted that not having a Facebook, Twitter, Instagram and more recently TikTok account was like not being part of society. In our (post)modern world, there is often bewilderment towards such hermits, who often find even offline conversations completely unfamiliar.

In line with the logic of big-tech, our language has been simplified. We shorten almost everything, we use words of foreign origin all the time, and we often respond to each other with emojis. The consequence-free world of the internet has created the illusion that anyone can have a say in anything, and that everyone has an equal say in managing and shaping community affairs. Big-tech has undeniably helped to break down barriers between foreign cultures, spread different ideologies and deepen globalism. We soon saw social media as a modern-day tool for the development of democracy, capable of promoting and disseminating human rights. Thus, social media platforms seemed to have become a vehicle for the complete development of freedom of expression. Moreover, their ability to organise society more effectively than before also made them act like champions of freedom of assembly. Now, with just a few clicks, it is possible to organise events as powerful as the Arab Spring or the Hong Kong protests.

It was also because of this addictive quality of user experience and convenience, efficiency and free service that we had found it so hard to understand that something was not right. You do not have to be a nostalgic, old-fashioned person to feel that this boundless world has its darker sides. The big multinational companies have been happy to adapt to their new role, as digital champions of human rights. In documents called Corporate Social Responsibility (CSR), they have defined their mission to change the world and, through their sudden influence, have claimed an ever larger slice of shaping social discourse and managing community affairs. And the

¹ See Statista 2022.

² For detailed data on Hungarian online audience measurement data see National Media and Infocommunications Authority 2021.

masses, who make up more than a third of the world's population, participate in the daily life of this virtual community according to the business policies and internal rules of these companies.

The following paper will look at how social media, initially seen as a promoter of freedom of conscience and freedom of expression, has devoured its original purpose and become a political playground and a potential tool for opinion hegemony. This book chapter discusses the socially damaging aspects of the operation of tech companies that have by now become monopolies, including their non-transparent operation, market distorting impact, their tax evasion, the dangers of a world dominated by artificial intelligence and algorithms, or the erosion of national sovereignty, in addition to possible restrictions on freedom of speech. This chapter also shows that national governments and international organisations have been relatively slow to realise the perversity of the situation and are still in the process of finding and identifying the way forward. It examines the current thinking on what options are available to regulate and contain big-tech. In this respect, it takes stock of major international, EU and national regulatory initiatives and efforts.

It is worth pointing out at the outset that, as with most of the challenges of our time, Europe is not yet able to effectively assert its claims and respond appropriately to the demands of a digital world dominated by U.S. and Chinese companies. With the departure of the British, the withdrawal of German Chancellor Angela Merkel and the preparations for the French elections, Europe is in a power vacuum,³ which makes the objectives of the geopolitical declaration presented by EU High Representative for Foreign Affairs and Security Policy Federica Mogherini in 2016, called the *European Union Global Strategy*,⁴ seem unlikely to be achieved.

Each great power has its own imperialist aspirations and the means to achieve them: the U.S. is seeking to influence global processes primarily through its military dominance (hard power) and extensive diplomacy (soft power), China through its overwhelming economic potential and the

³ SIGMAR 2021.

⁴ European Union External Action Service 2016.

expansion of its political and cultural influence, and Russia through a hybrid combination of its raw military power and its willingness to blackmail. “China, for example, does not want to dominate the whole world (yet), but it wants to return to the situation that existed for thousands of years, when it dominated the region and the wider region economically, militarily and culturally through concentric circles. So it wants to “sinicize” the world in which it has always been at home.”⁵

By contrast, the European Union’s instruments are mainly limited to economic and bureaucratic processes, and despite the changed world political situation, it continues to “seek to legitimize its policies by claiming that its standards are the right ones and that they provide the most effective way of economic and political integration”.⁶ As former Senior Advisor to the President John Bolton so aptly put it: “Europeans manage problems, Americans like to solve them.”⁷ However, a capable and unified military force, adequate military expenditure and indiscriminate adaptation of foreign technologies⁸ increase the continent’s vulnerability and exposure in the current world order without a world order. In this struggle between worlds, “Europe does not seem to understand how insignificant it is becoming to the rest of the world, and its obsessive reorganization of its internal affairs is akin to reorganizing the benches of the sinking Titanic”.⁹ As exaggerated as this statement may seem, we have to admit that the rules of the digital world are not yet being written by the countries of the old continent that once saw better days.

⁵ MARTONYI 2018: 138.

⁶ ZIELONKA 2008: 475.

⁷ John Bolton was speaking at the Edmund Burke Foundation’s National Conservatism Conference in Washington, D.C. in July 2019.

⁸ See, for example, the adaptation of China’s G5 technology to the EU and the Council conclusions on the *Significance of 5G to the European Economy and the Need to Mitigate Security Risks Linked to 5G*.

⁹ Kishore Mahbubani is University Professor, Diplomat, former Permanent Representative of Singapore to the UN, President of the UN Security Council (2001–2002).

THE OVERDEVELOPMENT OF BIG-TECH

There is no doubt that the emergence of the information society and the spread of digitalisation is a major civilisational achievement, which, as far as we know today, has brought considerably more benefits than it has caused disadvantages. However, it is now clear that the adverse consequences of information society need to be addressed. Over the past decade, the way people get their information has changed significantly, and social media has become the primary source of news for a significant proportion of people. Therefore, some companies have become *de facto* media service providers without having to comply with most of the relevant standards.¹⁰ The incredible rise and overdevelopment of big-tech and its consequent uncontrollability have only become visible in recent years, and the attention of academia, civil society and national governments has only recently turned to the phenomenon.

We had to realise that not only can we organise successful fundraisers on the internet, but hate speech and fake news can spread there at the same speed. The same can be said about child pornography or cyberbullying. Due to the nature of big-tech, the intellectual property and copyright frameworks that were previously thought to be solid have been challenged. We have had to live through several democratic elections to realise that they can be influenced from afar, even by foreign states.¹¹ Previously well-regulated, strict data protection provisions soon proved inadequate due to cross-border data storage and transfer practices. Overdevelopment and the emergence of new, revolutionary technologies have created a series of regulatory loopholes that creative companies have turned to their advantage. The so-called online gatekeepers,¹² or online intermediaries, have become indispensable actors of the digital transformation. The unbroken popularity, the pressure to innovate and the profit motive led to the creation of monopolies that no longer dominated just one sector of the economy, but covered all related

¹⁰ See WEINTRAUB–MOORE 2020: 625–640.

¹¹ See the findings of the Senate report on Russian interference in the 2016 U.S. election in Select Committee on Intelligence United States Senate s. a.

¹² KOLTAY 2020: 267.

areas. Accordingly, these companies have become capable of distorting the market and hindering fair competition within a short period of time.

Although social relationships have not ceased to exist with the rise of the virtual world, they have certainly changed fundamentally. Francis Fukuyama argued already in his 1999 book *The Great Disruption*¹³ that the information society, the post-industrial age has eroded the previously stable and indissoluble units of society: it has weakened social bonds, relativised our shared values and weakened our moral principles. This process has been reinforced by the rise of the internet and big-tech. Some research has shown that the positive or negative feedback received on social media (for example, the number of likes a picture receives) can have a significant impact on the memory of an individual of the experience concerned.¹⁴

The freedom of expression that Western societies cherish so much has been compromised, and moderation, and eventually arbitrary censorship, has taken hold. All this eroded the power of the state, ultimately challenging the very pillars of national sovereignty. The price of this belated realisation is that we no longer dominate technology, but tech companies dominate our societies, that the freedom of the many is determined by the few, that entire industries depend on IT companies based in foreign countries, and that the head of a multinational company can unplug even the President of the United States' speaker without any control.¹⁵

THE DECREASING ROLE OF THE STATE

The above-mentioned circumstances have created a series of situations in which the state is now only able to take limited action. Effective control over companies across continents, time zones, cultures and languages has gradually slipped out of the hands of national governments, and even out of the abstract concept of national sovereignty. For, by its very nature,

¹³ FUKUYAMA 2000.

¹⁴ JACOBSEN-BEER 2021.

¹⁵ BRETON 2021.

big-tech has placed all the conditions¹⁶ defining the state under public international law – territory, population and sovereign power – in a new light: borders and territorial exclusivity, as the most important elements of these cumulative conditions,¹⁷ have become meaningless, population cannot be limited to countries or nations, and sovereignty has ceased to prevail in certain territories.

At the same time, multinational companies have become increasingly state-like. Although they have no physical territory, they rule the virtual space. Their population, i.e. their users, can be anyone, anywhere, and their sovereign power is – through their own global policies and rules – in practice often above the jurisdiction of states. The framework for their operation is primarily set by their own rules and regulations, and only marginally by national law. Some companies are introducing their own currencies, creating their own identities and influencing our daily lives to an extent comparable to churches or political organisations. Facebook, meanwhile, operates the largest censorship system ever, handling more human communications than any government has ever handled.¹⁸

The last decade has seen the emergence of parallel legal systems where the citizen's, or user's right to remedy is enshrined in the so-called terms of use, and where the platform justifies its decisions according to its own whim. Automated systems filter and moderate content based on unknown corporate preferences, and states lack the technical competence to control them. In addition, corporate data centres not only exploit existing data, but also create new data from it. In the case of some tech giants,¹⁹ users can take their alleged rights violations to an oversight board²⁰ that competes with the powers and jurisdiction of an international court and a supreme court, and which, although nominally independent of the company that created it, is contractually bound to the company. This calls into question the independence and ideological neutrality of the decision-makers and

¹⁶ KOVÁCS 2011: 184.

¹⁷ DIXON 2013: 149.

¹⁸ BENESCH 2020: 86.

¹⁹ For more information see DOUEK 2020; KLONICK 2020: 2418–2499.

²⁰ See Oversight Board s. a.

the possibility of professional reasoning that would otherwise be expected of the courts. Big-tech is less constrained by public authority and fundamental rights than traditional (legacy) media providers, and there is also a problem that, while their decisions can affect the lives of millions, they lack legitimacy and empowerment from citizens. With cases diverted from the national courts, it can easily happen that either the algorithms or the company's own staff defines the scope and content of freedom of expression and opinion in a way that differs from the constitutional traditions of the country in question. Because of these self-operating, *pseudo* legal systems, the guarantees provided by the laws of individual states cannot be fully enforced.

Although the formal legal argument is that because of the essentially private law relationship, it is the service provider that determines what content is displayed or hidden, who can contact whom, what products are offered to us, or whether we are informed about certain news. But “the free expression of ideas and views, however unpopular or peculiar, is a prerequisite for the existence of a developing and genuinely living society”.²¹ As Mark Zuckerberg put it: “In a lot of ways Facebook is more like a government than a traditional company.”²²

However, technology giants, by virtue of their size, have the potential to have a significant impact on public opinion and on events that shape the daily life of a community. And service providers with millions of users per country are in practice performing an activity similar to a public service, with no realistic alternative to their service.

In the light of this, the question is no longer really how far the state can encroach on the world of big-tech, but how far big-tech can encroach on the sovereignty of the state. “The sovereignty of an entity ceases the moment other entities acquire the capacity of competing infallibility, whose decisions are unappealable, i.e. they constitute for the previously sovereign entity indefeasible legal norms.”²³

²¹ Constitutional Court decision 30/1992 (V.26.), ABH 1992, 167, 170–171.

²² FOER 2017.

²³ BIB Ó 2021: 248.

THE REGULATORY IMPERATIVE

By now, it has become clear that the legal systems of nation states were inadequate to regulate multinational companies that do not require physical establishment. It is clear from the above that there is only one option for the individual member states: to regulate companies caught up in a regulatory vacuum and to define a general framework for their operation. This is because “responsible and diligent behavior by providers of intermediary services is essential for a safe, predictable and trustworthy online environment and for allowing [...] persons to exercise their fundamental rights [...], in particular the freedom of expression and of information, the freedom to conduct a business, the right to non-discrimination [...]”.²⁴ However, experience shows that to achieve this, it is not enough for market-driven service providers to regulate themselves, but that individual states must actively legislate to promote access to these rights for their citizens. While some argue that lack of regulation can be explicitly beneficial to freedom of expression,²⁵ we believe that states have an explicit obligation to find and restore the right balance for tech companies. No entity other than the state can determine the extent to which freedom of expression can be exercised on its territory, nor can it allow the creation of actors capable of distorting democratic discourse and impeding the balanced flow of information. However, in Western legal systems, public debate on public affairs is considered a highly protected form of expression, so restricting it is a more serious infringement of freedom of expression.²⁶

Against this background, it can be argued that there is an overriding interest for individual states to make tech companies accountable and predictable, and, at the same time, to break the monopoly of the largest firms. Hopefully, these conditions will be in place in Hungary and within the European Union in the near future, thereby reducing their own and their citizens' exposure to third country companies.

²⁴ European Commission 2020b.

²⁵ See HALMAI-TÓTH 2008: 454.

²⁶ KOLTAY 2019: 37.

U.S. AND CHINESE DOMINANCE
IN THE DIGITAL WORLD

Despite the fact that the U.S. global lead has clearly been eroding in recent years, it remains a point of reference for both developed and developing countries. The U.S. combines its military, economic and innovative strength with soft tools such as exporting democracy, promoting human rights, supporting multilateralism, diplomacy and humanitarian aid, which together make it a world-leading power. The U.S. is the engine of the global knowledge industry, projecting its own standards, solutions, technical and technological achievements, but also its values and culture, with great efficiency. It also offsets the decline in its influence by maintaining a broad alliance system and prioritising joint action against non-market-based economies. It is seeking to maintain control over the international financial systems, exclude rivals from strategic investments, gain control of raw materials and reduce its economic dependence on China, all by claiming a community of values with the Western world.

China, as the West's counterpart, on the other hand, has no missionary traditions, but rather repressed ambitions. It has every opportunity to do so, as it has been catching up with the West at a rapid pace over the past decades, and in many respects has already gained an advantage. Its infinite resources, restrained foreign policy, centralised state organisation and adaptability have made it the only challenger to the United States. This is confirmed by the fact that China has been able to do what is essential for real strategic autonomy: to divest itself entirely of U.S. technologies. China's previously mentioned effort to build concentric circles of power can be observed in the country's efforts towards "reunification", in acquiring control over African and South American resources, and in indebting countries looked down upon by the West with colonial arrogance through infrastructural investments and significant loans. China is also opening up to European countries emphasising the mutual benefits of trade. It is also steadily increasing its military expenditure, developing its army at a rapid pace and making it clear that, while its aim is to avoid military conflict, it will not shy away from deploying its army if necessary.

The two pivotal pillars of the currently emerging world order could not be more different: Protestantism versus Taoism, liberalism versus communism, democracy versus socialism, individualism versus collectivism and arrogance versus humility. The common ground is mutual vulnerability and the desire to dominate unconquered markets. For the time being, their competition is a commercial one. This rivalry is based on which state can mitigate its dependence on its rival and which state can attract third countries outside its sphere of interest, including the European Union. This is no different in the fields of technology and innovation, where the two great powers are now neck and neck. The United States' digital policy is largely based on broad cooperation, while China conducts extensive monitoring and keeps the entire cyber technology world under control. The European Union, by contrast, is using its normative imperialism to act as a regulatory superpower and a third force on the map of digitalisation.

As a result, while Europe is protecting itself with a "privacy shield", the U.S. and China are eradicating the remaining European influence in most key industries. Europe's influence in the digital economy, which was once based on – mainly German – industrial technological development and achievements, has been significantly reduced in recent times. If this trend continues, Europe will soon have no control over the quality standards to which products are allowed to be sold on its own market. The absence of major European players in the market for new technologies that can have a meaningful influence on the direction of developments or the development of relevant standards is a sign of structural weaknesses and a misguided strategy. On the consumer side, the big U.S. tech companies, because of their market power, set and decide standards themselves, which China tries to counterbalance by involving state-owned companies. Recognising this, the United States is trying to cooperate primarily with European countries and China's regional rivals to contain Chinese technological and market penetration. And in this contest, Europe is becoming increasingly marginalised, which has a direct negative impact on Hungary's room for manoeuvre and its ability to assert its claims and interests. Our country lies not only on a geographical, cultural, religious and ideological dividing line, but also on a technological one. Oddly

enough, here “the combined disadvantages of isolation and central location weigh heavily on our country”.²⁷

COMPETING INTERESTS IN THE INTERNATIONAL ARENA

It can be seen from the set of problems described above that regulating large digital companies is far from easy, especially for nation states with smaller populations and lesser abilities to assert their claims. For all these reasons, we believe that effective action can only be taken through the European Union and, in particular, through its united action, as Hungary alone does not have the infrastructure or the economic potential to make a significant impact on such a major issue.

This is especially true because it makes a huge difference where one starts regulating. Regulation can be based on competition supervision, taxation, content, fundamental rights, or even ideology. A further difficulty is that, in the case of sectoral regulations, there are serious conflicts of interest between the country of establishment, i.e. the beneficiary, and the country that has to tolerate the service, i.e. the “disenfranchised” or “user” country. The latter is losing significant tax revenue due to the cross-border service model of big-tech. Therefore, a truly effective regulatory model cannot be envisaged without a comprehensive international consensus. Recognising the need to address the tax challenges of the digital economy, the European Union, the G20 and the Organization for Economic Co-operation and Development (OECD) have put forward a number of proposals, including the introduction of a digital services tax.²⁸

The most extensive regulatory experiment to date is taking place within the Paris-based OECD. The aim of the global tax reform initiated in this forum is to allow the states concerned to benefit more from the corporate tax paid by large multinational companies through a fairer distribution, so that it is paid directly in the state where they operate and not exported to tax havens.

²⁷ ANDRÁSSY 1911.

²⁸ KIM 2020: 135.

In this respect, the adoption of the guidelines of the two-pillar package of proposals by the 140 participating countries on 1 July 2021 is a milestone.²⁹ According to the original proposal, which harmed primarily American interests, the package would have applied not only to digital companies but also to all multinational companies involved with consumers. However, under the compromise solution, the regulation's scope got significantly narrower. The United States, home to the majority of large tech companies, is nevertheless strongly opposed to the introduction of a digital services tax as a form of profit tax, as it believes it would be detrimental to U.S. tech giants.³⁰

The first pillar of the so-called Inclusive Framework³¹ established to tackle tax evasion of the order of around \$240 billion, according to the OECD, applies to digital giants (MNEs) with global turnover above 20 billion euros and profitability above 10% and having a recognised brand name. Under the package of proposals, the residual profit of the companies concerned will be subject to a revenue redistribution mechanism, which will be an additional resource for the end market jurisdictions.

The second pillar, more critical for Hungary, foresees the introduction of a global minimum corporate tax (Global anti-Base Erosion Rules – GloBe) and penalises companies that are subject to a lower effective tax rate than the global standard. The minimum tax rate agreed by the G20 countries on 9–10 July 2021 was 15%,³² which was actually adopted by the participating countries in October 2021. Hungary, which has a 9% corporate tax rate, would have been adversely affected by the original plans, but thanks to the compromise solution, the Hungarian corporate tax rate will remain unchanged and a ten-year transitional period has been negotiated.

According to the political compromise, the two pillars can only enter into force together and cannot be separated. From an EU perspective, it is worth noting that the European Commission is expected to propose a directive in line with the adopted *Inclusive Framework*, so its provisions

²⁹ OECD 2021.

³⁰ See MASON 2020: 353–402.

³¹ OECD 2021.

³² OECD 2021.

will become part of the Hungarian legal system in time, as the directive is binding for all the Member States to which it is addressed as regards the objectives to be achieved.³³

THE EUROPEAN UNION'S ROOM
FOR MANOEUVRE IN THE FACE OF
INTENSIFYING DIGITAL COMPETITION

In terms of reviewing the operation of big-tech in Hungary, it is hardly possible to avoid mentioning the processes taking place and the legislative ideas proposed in the European Union. Hungary's legal room for manoeuvre and its ability to assert its interests cannot be interpreted without taking into account EU processes and regulatory trends.

Generally speaking, regulatory thinking in the EU typically addresses financial, competition or consumer protection issues, and to a lesser extent fundamental rights. However, despite appearances, these are far from being technical initiatives. They are the means of implementing a well thought-out EU strategy with the hallmarks of normative imperialism.³⁴ Unlike the United States, Russia or China, the EU Member States use their multilateral agreements and their combined trading power to shape the global order. Rather than imposing its conditions by military force, as America did in the case of Iraq, the European Union is persuading other countries that "they want what it wants". In this respect, we share the argument of Jan Zielonka, who has argued for more than a decade that the European Union's ambitions are in fact of a great power nature.³⁵ European norms and standards are gradually being adopted around the world, hence the EU is often accused of

³³ Article 288 of the Treaty on the Functioning of the European Union.

³⁴ See European Commission Communication on Business Taxation for the 21st Century of 18 May 2021 in European Commission 2021.

³⁵ ZIELONKA 2008: 471.

regulatory imperialism.³⁶ This can be seen in areas such as financial markets, data protection, food and health protection, environment protection and the criminal justice system.³⁷

There are, of course, also elements where the will of the community takes the form of a positive, normative force, which, even in the absence of material advantages (and even in a way that is economically very disadvantageous), confronts third states, and even its own member states, when it comes to promoting human rights, for example.³⁸ For example, Europe provides the most development aid in the world.³⁹ In this respect, a forward-looking development is that in October 2020, EU decision-makers agreed to strengthen Europe's digital sovereignty and to allocate at least 20% of the Recovery and Resilience Facility's resources to promoting the digital switchover and developing digital infrastructure.

Nevertheless, there is no doubt that, in the absence of classic (*hard*) instruments of power, the European Union has no powerful card to play at the moment, apart from its above-mentioned coercive bureaucracy and regulatory influence. This indirect way of asserting its claims is capable of shaping the international regulatory framework, exporting its own operating models and conditioning access to a market of around 450 million people, but it is not a viable alternative to the dominance of U.S. and Chinese multinational companies in the absence of consensus and the will of the Member States. Moreover, extending the EU's normative power to certain parts of the world seems unattainable due to the huge cultural, linguistic and religious differences.⁴⁰ Additionally, the competitive advantage derived from the development of multilateralism seems to be diminishing recently

³⁶ The Wall Street Journal 2008. The article cites examples of EU efforts to cow large American firms such as Microsoft, Qualcomm and MasterCard with anti-trust laws. Other frequently cited examples of European 'regulatory imperialism' include the Reach legislation on chemical products and the ban on the import of chlorine-rinsed poultry.

³⁷ See BACH-NEWMAN 2007: 827–846.

³⁸ MANNERS 2002: 252.

³⁹ ZIELONKA 2008: 474.

⁴⁰ SJURSEN 2006: 235–251.

“because of a rapidly growing group of developing countries, informally led by Brazil, India and South Africa, which are now challenging the primacy of the European Union”.⁴¹

As a result, Europe’s most valuable “weapon” is itself – its advanced single market and the economic benefits of access to it. It is no coincidence, then, that the European Union is using all the internal instruments at its disposal to influence global processes outside its control.

On 31 January 2019, *Politico* published a short analysis of the new EU data protection rules on its website, with the headline “Europe wants to conquer the world all over again”.⁴² Although data protection has a tradition going back decades in Europe, the General Data Protection Regulation (GDPR), which came into force in May 2018, has caused a great uproar.⁴³ The choice is not a coincidence: the EU has been very keen to broaden the scope of its data protection rules to protect its citizens who transfer their data abroad and whose data is processed by foreign companies active in the EU.⁴⁴ Indeed, the requirements of the Regulation, which applies quite widely, apply to any company or entity that processes personal data as part of the activities of its branch in an EU country. The scope of the Regulation applies regardless of where the data are processed, and even if the company is based outside the European Union but offers goods or services in the European Union or tracks the behaviour of individuals in the EU.

And that is exactly the essence of the GDPR: its broad scope and the severe penalties attached to its violation force affected third-country companies to either harmonise their policies, operating principles and business practices with EU rules or lose out on the profits offered by the single market. Thus, the GDPR has not only a data protection function, but also a competitive market function. “EU competition policy is one of the drivers

⁴¹ DINAN 2010: 510.

⁴² “Europe wants to conquer the world all over again” (SCOTT–CERULUS 2018).

⁴³ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, GDPR).

⁴⁴ RYNGAERT 2015: 221.

of the internal market and aims to create fair competition by influencing the structure of the market and the behavior of market participants.”⁴⁵

The European Commission presented its package of proposals on digital services on 15 December 2020 along similar lines. The package consists of two elements, the draft Digital Services Act (DSA) and the draft Digital Markets Act⁴⁶ (DMA). The proposals are a response to a growing demand over the years that the rules for the functioning of digital markets have become outdated over time and as technology has evolved. The drafts have been designed with due consideration of the provisions of the Directive on electronic commerce (Directive 2000/31/EC) adopted in 2000. Not to override it, but to complement its provisions. The aim of the package is to provide a new framework for the rights and responsibilities of users, intermediary platforms and public authorities, thereby strengthening trust, competitiveness, growth and innovation.

The documents set out the basic obligations and responsibilities of online intermediaries, enhance the enforcement of fundamental rights and protect consumers' interests. They strengthen democracy, equality and respect for the rule of law. It applies to recipients of intermediary services who are established or resident in the Union, irrespective of the place of establishment of the service providers concerned.⁴⁷ It therefore has extraterritorial scope, as its requirements apply equally to services provided outside the EU (e.g. TikTok).

There is also a regulatory innovation in the draft regulation, that when a national authority takes a decision to remove illegal content, it will address it directly to the service provider, rather than to the authority where the service provider is based. Another novel aspect of the legislation is that it sets out differentiated due diligence obligations for different service providers depending on their activities, their impact on the market and their size. The draft regulation also defines the concepts of illegal content, online platform and content moderation. The latter is defined as an activity carried out by the intermediary service provider with the aim of detecting

⁴⁵ GOMBOS 2017: 351.

⁴⁶ European Commission 2020a.

⁴⁷ DSA Regulation Article 1(3).

and identifying illegal content or information that is in breach of the general terms and conditions, including taking measures to make the illegal content inaccessible, invisible or unavailable.⁴⁸ The requirement for transparency of algorithms, the design of complaint handling procedures and the ability to challenge decisions are all designed to protect users.

The draft DMA Regulation contains provisions and sets out rules of conduct for the previously mentioned gatekeeper service providers. These companies have a significant influence and control over the entry into digital markets, but are also embedded in these digital markets, which means that many business users are highly dependent on them, which in some cases leads to unfair market practices.⁴⁹ In such a case, the flow of information may be blocked, competitors may lose valuable data, leaving them vulnerable and slowing down innovation.

The condition for being designated as a gatekeeper is that the provider of core platform services exerts significant influence on the internal market, operates a service that serves as an important gateway for business users, and enjoys or is expected to enjoy in the near future an entrenched and durable position in its operations.⁵⁰ The Regulation applies to core platform services provided or offered by gatekeepers to business users established in the Union or end users established or located in the Union, irrespective of the place of establishment or residence of the gatekeepers and irrespective of the law otherwise applicable to the provision of service.

NATIONAL ATTEMPTS AT REGULATION

As mentioned earlier, with increasing awareness of irregularities surrounding big-tech, national level regulatory proposals are increasingly coming to light to ensure consumer protection, competition supervision and safeguarding of civil rights. Within the European Union, this means in particular imposing

⁴⁸ DSA Regulation paragraph (p) of Article 2.

⁴⁹ Explanatory memorandum to the DMA Regulation.

⁵⁰ DSA Regulation Article 3(1).

due diligence requirements on intermediary service providers,⁵¹ but it must be seen that the asymmetry inherent in big-tech makes the effectiveness of individual legislative attempts highly questionable, as compared to unified action based on international consensus. In recent years, numerous attempts to crack down on the “too big to tax” phenomenon, to exclude competition distortive practices and to establish jurisdiction have failed.

In addition to Austria, Amazon has also been targeted in Italy, Germany and Luxembourg for unfair market practices arising from its general terms and conditions.⁵² Although it had been postponed several times due to pressure from the U.S. and the imminent threat of a trade war, in 2019 the French Parliament pioneered a law (the so-called GAFA law) that taxed digital companies with revenues of at least €750 million per year globally and €25 million per year in France, at a rate of 3% on their revenues.⁵³ The French Parliament also adopted a law on the protection of freedom of expression and the fight against fake news, which applies to social media services.⁵⁴ It applies to digital service providers that have at least 5 million unique visitors per month or receive at least €100 for the execution of certain of their public interest debate-related advertisements. The related law against hate speech (the so-called *Projet de Loi Avia*) was ultimately annulled by the Constitutional Council on the grounds of excessive interference with freedom of expression.⁵⁵ The law would have also fined companies up to 4% of their global revenues if they did not remove hateful and clearly prohibited content related to race, gender, religion, sexual orientation or disability within one day, and terrorist and child pornography content within one hour.

⁵¹ DSA preamble, paragraph 2; European Commission 2020b.

⁵² See HOFFER 2019: 135.

⁵³ Loi n° 2019-759 du 24 juillet 2019 portant création d'une taxe sur les services numériques et modification de la trajectoire de baisse de l'impôt sur les sociétés.

⁵⁴ Loi relative à la lutte contre la manipulation de l'information.

⁵⁵ The law is available in French at <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000042031970>

In Germany, the 2017 law on enforcement on social media platforms⁵⁶ has made it the responsibility of domestically accessible social media platforms to combat hate speech, fake news and other criminal content. Also in 2017, the law on social media providers was adopted, and its amendment was voted by the Bundestag on 14 January 2021.⁵⁷ The amendment aims to curb market distortion by large information technology companies, a first in the European Union. The standard requires service providers to make the detailed rules on complaint handling available on their platforms, with a view to transparency. They should also provide an easy-to-understand, directly accessible and permanently available procedure for complainants who make a complaint. It is worth mentioning that the German Constitutional Court has already passed a decision related to the operation of international digital companies.⁵⁸ In it, the Court stated that the individual fundamental rights must be fully respected in the online space as well.

In Austria, the Communications Platforms Act,⁵⁹ which is based on the German legislation, entered into force on 1 January 2021. The scope of the Act covers domestic and international service providers that provide services through their digital platforms for the purpose of generating revenue. Its innovation is that it obliges service providers to ensure effective remedy for complaints and irregularities arising from their moderation activities. Service providers must, among other things, submit an annual report to the Austrian authorities on the handling of the cases in which they have received a complaint.

In Poland, the Minister of Justice announced on 17 December 2020 to submit a package of proposals to the government to regulate social media.⁶⁰ According to the text of the proposal, the draft aims to safeguard freedom of expression and opinion and the right to information against arbitrary

⁵⁶ *Netzwerkdurchsetzungsgesetz (NetzDG)*.

⁵⁷ *Gesetz gegen Wettbewerbsbeschränkungen (GWB)*.

⁵⁸ *Bundesverfassungsgericht 1 BvQ 42/19*.

⁵⁹ *Kommunikationsplattformen-Gesetz KoPl-G*.

⁶⁰ The document is available at www.gov.pl/web/sprawiedliwosc/zachecamy-do-zapoznania-sie-z-projektem-ustawy-o-ochronie-wolnosci-uzytownikow-serwisow-spolecznościowych

censorship by social media. The draft would apply to social media services with at least one million registered users and would set out the liability of service providers for illegal content, following the German model. In addition, it provides for a complaints mechanism and allows individuals to bring actions in a wide range of cases. It is envisaged that each submission would be decided by a panel acting in council, against whose decision the parties could appeal to the ordinary courts. The stated aim of the proposal is to ensure that what is not considered illegal content under Polish national rules should not be censored by social media providers under their own internal rules. The draft legislation has not yet been tabled in Parliament due to domestic political events in Poland.

In Hungary, the issue of restricting the domestic activities of technology companies has been raised more seriously in the Digital Freedom Committee (hereinafter: DSZB), established by the Minister of Justice. Based on their competence, the members of the committee include, among others, the National Media and Infocommunications Authority, the Office of the Commissioner for Fundamental Rights, the National Authority for Data Protection and Freedom of Information, the Hungarian Competition Authority and the National Council for Communications and Information Technology. The committee's declared aim is to bring transparency to the operations of transnational technology companies and to examine the challenges posed by the online space in the different areas, building on the experience of public authorities.⁶¹ Citizens can also share their own experiences and raise issues on the Committee's website. Based on the information gathered in this way and international experience, the Ministry of Justice envisaged submitting a draft law on tech companies in early 2021, which has not yet been done due to the efforts ongoing within the European Union.⁶²

Comparing the national regulatory plans listed above with the DSA and DMA Regulations, it can be concluded that there is a high degree of overlap between them, and it would be advisable to link them in the future and channel the experience of the individual Member States into EU fora.

⁶¹ For more details see digitalisszabadsag.kormany.hu.

⁶² See the DSA and DMA Regulations.

To unlock the potential of unified action, the European Union must take the lead in regulating third-country tech companies and protecting EU citizens. Nevertheless, the slowness and bureaucracy of EU decision-making may prompt several Member States to act on their own to counter the harmful consequences of overreach and lack of regulation.

CONCLUSIONS

The rise of digitalisation has fundamentally changed our societies and our habits. The emergence of the information society has been a major civilisational achievement, but it has also created a number of negative consequences. Our channels of communication have become concentrated and simplified, news and information are filtered through private for-profit monopolies, and fake news and different ideologies spread at breakneck speed. These circumstances can upset and greatly affect the social equilibrium that has been slowly but steadily evolving for centuries. In addition, the sudden power of technology giants has the potential to erode the foundations of cherished state sovereignty and override the international written and unwritten rules that have been followed until now. And the regulatory lag has made us realise that we are no longer in full control of the digital world that permeates every aspect of our lives.

The driving force behind this transformation is primarily in the United States and, in recent years, in China. Europe, as in many other areas, is not directing these processes, but simply managing them, *ex post*. Without a clear strategy and effective decision-making mechanisms, and most of all without the will of the Member States, Europe will remain a benign⁶³ player, lagging behind its competitors that are properly speaking the language of political pragmatism and power. Jason C. Sharman, Professor of International Relations in the Department of Politics and International Studies at the University of Cambridge, argued in one of his books⁶⁴ that

⁶³ ZIELONKA 2011: 289.

⁶⁴ SHARMAN 2019.

the commonly held view that Europe once dominated the world because of its military dominance is in fact wrong. Moreover, the dominance of the West was merely a historical anomaly in the past millennium, representing a temporary, anomalous period in world politics, and it now seems that we will soon return to a more normal historical situation in which the great states of Asia will once again be the world's leading powers. Whether we accept Sharman's well-founded argument or reject the predictions of Asia's rise, the first step is to acknowledge that Europe is currently unable to compete with its geopolitical rivals in the digital space. In addition to the growing influence of China, it is equally concerning that we currently lack the proper tools to address the questionable practices of American tech giants that affect our daily lives.

For all these reasons, it is essential that the European Union, or in a less favourable scenario, the Member States individually, create a regulatory environment that prevents monopolies from obstructing fair competition, restricting freedom of expression and democratic discourse, and creating filter bubbles. Rather than adopting the American model of freedom of speech, we should aim to restore European principles of freedom of speech by asserting our autonomy and interpreting our civil rights according to our own constitutional traditions.

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Although geopolitics is a common factor in international affairs, it does not produce universal realities or one-size-fits-all policies. Great powers do determine certain collision courses, but the dynamics of their interactions vary from region to region, leading to both elusive and critical dilemmas for regional actors. Accordingly, smaller players must master the rulebook and the game of geopolitics as well.

This book focuses on the rivalry between the United States of America and the People's Republic of China, and its implications for Hungary. Its analyses offer a firm grasp of the domestic political, ideological and legal conditions, the international economic and business considerations, along with the challenges in the realm of cyberspace and online media. Thus, it is valuable for all who are interested in the scale and scope of small state manoeuvre in the era of renewed geopolitical competition and in a turbulent political and security environment.

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