

Trend Analysis and Assessment Report

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Report Topic: Responses to war in Poland, Slovakia, Romania, and Hungary

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Hungary begins to become a European Union outlier as Poland takes in almost 2.5 million refugees

Key Takeaway

The Hungarian government's current stance on the Ukraine war is likely to continue if Prime Minister Viktor Orbán wins the April 3 Prime Minister election. This will likely push Hungary further into becoming an EU and NATO outlier. If Poland receives another 500,000 to 750,000 Ukrainian refugees within a weeks' time, without further aid from the EU and United Nations (UN), then Poland is very likely to experience a dire economic and humanitarian crisis. It is very likely that Romania and Slovakia will remain stable at this time as they continue accepting military aid from NATO, as well as creating new policies to assist incoming Ukrainian refugees.

Trend Pattern

Hungary's Prime Minister, Viktor Orbán, has continued to keep Hungary from engaging heavily in support for Ukraine as its elections loom. Poland continues to take in the majority of Ukrainian refugees. Romania and Slovakia continue to remain stable as they support Ukraine and its refugees.

- Hungary's Foreign Minister of Affairs and Trade, Peter Szijjarto, and Prime Minister Orbán have reaffirmed that Hungary will continue to focus on its own security and economic needs. Hungary will continue accepting Ukrainian refugees and provide the necessary humanitarian assistance [01]. Orbán has openly stated that Hungary will not end its energy contracts with Russia, as he claims doing so would severely threaten Hungary's economy [02]. Hungary depends on Russia for 86 percent of its natural gas and 60 percent of its oil needs. Furthermore, Hungary is engaged in a nuclear reactor project that is 80 percent funded by the Russian government [03].
- As of March 30, Poland has received over 2.3 million Ukrainian refugees, making it the European Union (EU) member to take in the most refugees since the war began [04]. The daily refugees migrating into Poland has decreased from approximately 160,000 per day, to approximately 30,000 per day [05]. However, many of these refugees have remained in Poland, whereas other EU countries, like Romania, have seen Ukrainian refugees migrate onto other EU countries. Poland is beginning to see gaps forming in its ability to handle refugees. Current volunteers are not sustainable in the long-term, crime against refugees is increasing, and the Polish government is not acting quickly enough to prevent these gaps from widening [05].
- Romania has begun taking measures to ease the economic impact of the war, by reducing its tax collection on local gas and nuclear energy companies Romgaz and Nuclearelectrica. The Romanian government has reduced its tax collection to allow these companies to reinvest in strengthening their energy outputs. Lastly, Romania has set up a refugee corridor from Moldova into Romania, to help alleviate the refugee stress on the Moldovan government [06].

- Slovakia has continued to show its support for Ukraine by announcing on March 17 it would immediately send its Soviet-era S-300 Air Defense System and MiG-29 fighter jets to Ukraine. Slovakia would complete this transfer only if the North Atlantic Treaty Organization (NATO) can supplement Slovakia with new military equipment [07]. Slovakia has also begun taking measures to seek new oil and natural gas deals with OPEC countries. On March 27, Foreign and European Affairs Minister, Ivan Korcok, stated that a Slovak delegation met with Qatar's Minister of State for Energy Affairs, Saad Sherida Al-Kaabi, and was told by Al-Kaabi that Qatar alone would not be able to meet all European energy demands [08].

Assessment

Hungary's upcoming April 3 national election has drawn major attention from the EU. Over the last 12 years, Hungary's Prime Minister Orbán has continuously stripped the country of its democratic systems and processes that are meant to keep a check on Orbán's political powers [09]. In March 2020, Orbán attempted to pass legislation that would extend Hungary's state of emergency to combat the COVID-19 pandemic, allowing Orbán to rule by decree without a clear cut-off date. This legislation would have further restricted free press and freedom of speech, jailing those who are deemed to be spreading "false information" [10]. Brussels has continuously criticized Hungary over backsliding on its democratic processes. The April 3 election could see Orbán's opposition win, which would very likely unlock Hungary's €7.2 billion, frozen by the EU, to help further-assist Hungary with its growing economic problems and Ukrainian refugees[11].

Poland is currently in a similar situation as Hungary. Since the Law and Justice Party took power in 2015, it has worked towards taking control of the major court systems in the country. It has created a tribunal that punishes judges who rule against the party's interests. Brussels has continued to criticize the party over its democratic backslide. The EU has €30 billion of aid for Poland frozen until Poland can show it will stop attempting to influence its Supreme Court and other major courts [12]. This frozen aid would be almost certain to allow Poland to fund different humanitarian and economic programs that would alleviate the growing pressure caused by the refugee crisis. Without this aid, Poland could face a dire economic and humanitarian crisis itself. On March 13, Polish delegates in Warsaw and Karkow warned they cannot accept any more refugees [13]. It is very likely that, without further aid from the EU and UN, Poland's current economic state and inability to take in another large influx of refugees, will push Poland into a major economic and humanitarian crisis.

The Romanian and Slovak governments are certain to remain stable at this time. The Romanian government has lowered its government bond prices to help combat rising inflation. Romania's recent moves towards reducing tax collection is almost certain to signal Romania's commitment on removing its reliance on Russian energy to become more self-reliant. Slovakia's recent efforts towards seeking new oil contracts in the Middle East is also a very likely signal of its government's commitment towards freeing itself from Russian energy, as 85% of Slovak natural gas comes from Russia [08].

Broader Implications

US President Joe Biden's March 16 visit to Poland helped solidify US support for Poland and NATO allies. However, Biden made a subtle comment regarding Poland's struggles with democracy. Biden commented that "rule of law and freedom of the press [are] among the principles essential in a free society" [14]. It is not likely at this time that the US will make direct comments regarding Poland and Hungary's struggles with democracy, as it could threaten polarizing EU and NATO cooperation with the US. However, it is likely the US will continue commenting on the importance of democracy in Eastern Europe.

Orbán's continued stance on remaining focused on the security and well-being of Hungary is almost certain to continue to isolate Hungary in the EU and NATO. Hungary's unwillingness to sanction Russian energy will likely draw

stark criticism from the US, EU, and NATO allies in the coming weeks if the invasion of Ukraine worsens. Poland's President Andrzej Duda has already publicly expressed his disappointment with Orbán's decisions.

The cooperation by Romania and Slovakia with NATO is likely to continue boosting the security of NATO's eastern flank. Both countries have continued to accept air missile defense systems, military equipment and troops. These two countries are likely to play a crucial role if Russia were to attempt an invasion past Ukraine.

Indicators

We will be watching for Hungary's April 3 election results. The outcome of these elections will dictate the future stance of the Hungarian government on the Ukraine war. Furthermore, the election outcome will also dictate whether or not Hungary's democratic systems and processes will be respected and upheld. We will continue watching for further criticisms of Hungary by Ukraine, Poland, and other EU and NATO allies. If criticisms continue to grow, we can expect a reaction from Hungary. Lastly, we will be watching Poland's economy and capabilities when it comes to accepting refugees. If another large wave of refugees comes to Poland without further international aid, Poland's economy and citizens will likely suffer greatly.

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