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Integrated Country Strategy

Hungary

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1. Chief of Mission Priorities

The United States faces many and diverse global challenges to defend and renew the foundations of our security, prosperity, and democracy. As aggressors threaten to overturn regional peace, our alliances and partnerships give us strength. Tested by a global pandemic, economic uncertainty, deepening climate emergency, and technological change, Americans and Europeans have the chance to restore our well-being and shape the economy of tomorrow. In a worldwide competition with authoritarian powers, we must seize the opportunity to show that democracies can deliver.

Hungary can be a partner in these efforts. A NATO Ally, EU member, and trade and investment partner, it is home to the aspirations of free peoples as demonstrated in 1848, 1956, and since the Fall of the Iron Curtain. Given Russia's aggressive behavior toward its neighbors, it is important to take advantage of these possibilities. The United States and Hungary have a long relationship from which to draw and important shared security and economic interests to pursue. And Hungary has made valuable contributions. It joined fellow NATO Allies in Iraq and Afghanistan. It is modernizing its military and deploying on missions abroad, especially in the Western Balkans.

As the United States revitalizes the NATO Alliance and our partnerships with European countries in the face of acute threats to the post-Cold War European security architecture, the Mission will seek to enlist Hungary's full political, material, and public support to the Transatlantic partnership. We will work with Hungary to continue to make it a more capable NATO ally that takes active roles in NATO and bilateral deterrence activities and military exercises

There are also economic opportunities in our partnership. The over \$3 billion of U.S. exports to Hungary create market and job opportunities for Americans, and the GOH and Hungarians value the prominent presence of U.S. businesses in Hungary. We will seek to build on that relationship to increase Americans' economic opportunities, promote democratic values, improve global health cooperation and the health of the climate, and encourage it to pursue energy options that increase its own security. We can also work to strengthen our economic and technology cooperation, as the Hungarian government and Hungarian firms seek new economic opportunities in health care, green energy, space, and other new technologies. These are important opportunities to shape our economies in line with our interests and values, to diversify away from energy markets influenced by autocratic regimes, and to protect our critical infrastructure from technologies that might compromise security. Cooperating in this way can help insulate Hungary and Transatlantic community from the efforts of geopolitical powers that seek to undermine the international rules-based order.

Democratic values lie at the foundation of our foreign policy. Bolstering human rights and those democratic values are essential to the long-term health of our alliance and bilateral relationship. Rule of law, democratic backsliding, and corruption will be priority areas for the country, this mission, and the Transatlantic partnership. Several U.S. administrations the United States have viewed with concern the erosion of certain aspects of the rule of law in Hungary. We will work with our European partners, multilateral organizations, and Hungarians to foster free and fair elections so that the Hungarian people may choose their leaders and the direction of their country. This mission will cooperate with Hungarian officials at any level to combat corruption, and we will continue to encourage the Hungarian government to join the European Public Prosecutor's office as a demonstration of readiness to combat corruption. No democracy can survive without a free press and a committed, civic-minded citizenry, and we will work with the Hungarian people, including previously underrepresented groups, in these essential areas. Finally, for the United States to successfully cooperate with the European Union to strengthen democracy and the rule of law globally, we must encourage Hungary to cooperate in those efforts.

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Our communication and outreach activities will invest further in the long-term asset that is our relationship with the Hungarian people, who by a large majority support Hungary's NATO and EU memberships and the values associated with the Transatlantic community. We will also look beyond Hungary's borders to improve our cooperation with Hungary in the Western Balkans, the cyber and space domains, combatting transnational threats, and in defending the open, rules-based international system.

The Embassy will invest in our facilities and our people to enable our entire team to work toward these objectives. As we develop options for necessary renovations or New Embassy Compound, we will modernize our housing and workspaces. That modernization will include improvements to our energy efficiency and environmental impact, saving money and better aligning our operations with our foreign policy. We will improve non-wage benefits for locally employed staff and seek opportunities to add new experiences, backgrounds, and skills to our team.

2. Mission Strategic Framework

Mission Goal 1: Hungary's demonstrated commitment to Euro-Atlantic security strengthens U.S. Alliances and Partnerships worldwide.

- **Mission Objective 1.1:** Hungary Actively Supports NATO and bilateral political and military efforts to defend the Euro-Atlantic area against all threats and challenges.
- **Mission Objective 1.2:** Hungary Actively Supports Democratic Nations' Efforts to Compete with Revisionist Powers, Including in the Indo-Pacific Region.
- **Mission Objective 1.3:** Hungary Improves Cooperation with the United States in Combating Transnational Threats and Ensuring Secure Travel.

Mission Goal 2: Hungary contributes to an advanced, resilient Transatlantic Economy that ensures the health and prosperity of our peoples and planet.

- **Mission Objective 2.1:** Increased fair market access for U.S. firms and expansion into emerging sectors to strengthen U.S. position as trade and investment partner with Hungary.
- **Mission Objective 2.2:** Through targeted diplomacy and public engagement, GOH supports common U.S. and EU economic, environment, health, and technology priorities.
- **Mission Objective 2.3:** Hungary diversifies its sources of energy.

Mission Goal 3: Hungary supports and expands institutions and practices essential to the rule of law and democratic governance.

- **Mission Objective 3.1:** Legal and institutional changes strengthen the rule of law and combat corruption in its economy and government.
- **Mission Objective 3.2:** Through US engagement and advocacy promotion of a more effective and diverse media sphere, Hungarians better resist malign disinformation and meaningfully participate in democratic civic life and a free-market economy.

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- **Mission Objective 3.3:** Diplomatic engagement influences Hungary to exert a positive influence on the strength of democracy in Europe and globally.

Management Objective 1: Enhance the ability to achieve Mission objectives through functional, accessible, inclusive working and living environments.

Management Objective 2: Support Department goals toward effective use of resources by seeking new energy-efficient means to operate our Mission facilities.

Management Objective 3: Improve LE Staff retention rates through improved working environment, non-wage benefits for LE Staff and better trained supervisors.

3. Mission Goals and Objectives

Mission Goal 1 | Hungary's demonstrated commitment to Euro-Atlantic security strengthens U.S. Alliances and Partnerships worldwide.

Description | Europe is the United States' oldest, most reliable, and most capable partner. As the United States revitalizes the NATO Alliance and our partnerships with European countries, the Mission will ensure Hungary gives its full political, material, and public support to that partnership. We will encourage it to support NATO with military capabilities and leadership roles in NATO operations. As a NATO Ally, Hungary should give full political support to NATO's engagement with its Alliance partner Ukraine and other NATO deterrence efforts. We also seek Hungary's cooperation in ensuring NATO and the EU can act in concert with the United States in Europe and globally. As a law enforcement and security partner, we can work to cooperate more closely to combat transnational threats.

Objective 1.1 | Hungary Actively Supports NATO political and military efforts to defend the Euro-Atlantic area against all threats and challenges.

- **Justification** | Hungary is a NATO Ally on both the Eastern and Southern border of NATO members' territory. The continued development of its military capabilities and contribution to NATO operations can strengthen peace and security in Eastern and Southeastern Europe. As NATO confronts Russian conventional threats, challenges to stability in the South, as well as challenges to security in the cyber and space domains, we need the Alliance to be capable of action with all members' support.
- **Linkages** | Interim National Security Strategic Guidance; EUR Joint Regional Strategy Goals 1 and 4.
- **Risks** | Failure to secure Hungary's full support for NATO will perpetuate Hungary's block on high-level NATO engagement with Ukraine. Hungary could also block other NATO responses to emerging challenges.

Objective 1.2 | Hungary Actively Supports Democratic Nations' Efforts to Compete with Revisionist Powers, Including in the Indo-Pacific Region.

- **Justification** | As a member of NATO and the European Union, Hungary can contribute to (or obstruct) our cooperation with our Allies to compete with revisionist powers worldwide and in new domains. In the Indo-Pacific, in space and cyberspace, in international organizations, and in other challenging areas that will emerge in the next several years, democracies must compete to ensure a stable and open international system that supports our security, values, and well-being. Hungary also has important interests and influence critical to the stability of the Western Balkans, a region that affects Europe's security and that is a key arena of global competition for influence.
- **Linkages** | Interim National Security Strategic Guidance; State-USAID JSP 1.4; EUR JRS 1.2, 1.4.
- **Risks** | As a NATO member, we need all Allies cooperation to ensure NATO can meet new challenges. Hungary also could veto EU and NATO cooperation with the United States in these areas. Failure to coordinate with European Allies, including Hungary, in the Western Balkans could threaten regional stability and enhance the influence of non-democratic outside actors.

Objective 1.3 | Hungary Improves Cooperation with the United States in Combating Transnational Threats and Ensuring Secure Travel.

- **Justification** | Hungary is an important partner in combatting organized crime in Eastern Europe, and we will have opportunities to deepen our cooperation in the coming years. That cooperation protects Americans and builds partnerships with Hungarian institutions within a framework of law enforcement professionalism and the rule of law. Restoration of travel following pandemic disruptions and improvement of Hungary's participation in the Visa Waiver Program contributes to U.S. exports and investments; strengthens our educational and cultural exchanges; and helps friends and families in both countries.

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- **Linkages** | Interim National Security Strategic Guidance; State-USAID JSP 3.3, 5; EUR JRS 2.4, 3.1, 3.3, 2.1.
- **Risks** | Less cooperation with Hungarian law enforcement would leave Americans and the U.S. economy more vulnerable to organized crime with a Budapest nexus. More difficult travel impairs economic growth and reduces the ability of the United States and Europe to create shared, democratic prosperity.

Mission Goal 2 | Hungary contributes to an advanced, resilient Transatlantic Economy that ensures the health and prosperity of our peoples and planet.

Description | Hungary imported over \$3 billion of U.S. goods and services in 2020. American business is the second-leading foreign investor in Hungary, after Germany, and U.S. business practices, technology, entrepreneurship, and innovativeness have helped Hungary emerge from Communism and left a positive impression of America here. As the United States works with Europe to shape the global economy to serve our peoples, strengthen our democracies, and preserve our planet, so will the Mission work with Hungary to advance these priorities on a bilateral basis and in the European Union. Hungary's reliance on Russian natural gas could limit the country's ability to form a united front against threats to NATO's East.

Objective 2.1 | Increased fair market access for U.S. firms and expansion into emerging sectors strengthens the U.S. position as trade and investment partner with Hungary.

- **Justification** | The U.S.-Hungary trade and investment relationship remains strong, and the GOH has shown a consistent interest in expanding it. The Hungarian economy presents opportunities for U.S. exports, including in emerging sectors such as space and green technology, though corruption and the GOH political interest in promoting its relationship with the PRC and Russia limit U.S. firms' competitiveness for some public procurements. Public and government respect for U.S. business practices and the importance of the U.S. investment presence as the country's second-largest investor provide the mission with opportunities to advance U.S. values and views on emerging technologies.

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- **Linkages** | Interim National Security Strategic Guidance; State-USAID JSP 2.1, 2.2, 2.3, 2.4, 3.2, 3.5; EUR JRS 3.1, 3.4.
- **Risks** | Failure to attract Hungarian investment and spending on U.S. products and services would miss opportunities to develop long-term Transatlantic partnerships in emerging sectors and limit the jobs and revenues that these partnerships could provide. Instead, Hungary could look to economic and strategic competitors for these long-term relationships, creating barriers to a free Transatlantic economy and reducing U.S. influence in Europe.

Objective 2.2 | Through targeted diplomacy and public engagement, the GOH supports common U.S. and EU economic, environment, health, and technology priorities.

- **Justification** | All EU member states are important participants in U.S.-European efforts to fight climate change and bring about health security improvements to mitigate future pandemics. Hungary is also a central actor in the ongoing development of the digital economy in Europe, and we seek Hungary's cooperation in ensuring that emerging technology promotes an open and resilient Transatlantic digital economy that creates shared prosperity in America and Europe. Finally, with regard to the 2021 OECD agreement on a global minimum tax, the United States must both account for Hungary's and others' interests in the deal and ensure they support its agreed implementation.
- **Linkages** | Interim National Security Strategic Guidance; State-USAID JSP 2.1, 2.2, 2.3, 2.4, 3.2, 3.5; EUR JRS 3.1, 3.3, 4.1, 4.2
- **Risks** | The risks of the negative effects of climate change and future pandemics have become self-evident, and cooperation with Hungary is part of global efforts to mitigate those risks. Failure to include Hungary in the further development of emerging technologies in Western economies will slow that development and give an opening to strategic competitors with lower standards of openness, reliability, and democratic oversight. The global minimum tax is an important element a U.S. foreign policy for the middle class, and all EU member states must agree to its implementation for it to have a substantial effect worldwide.

Objective 2.3 | Hungary diversifies its sources of energy.

- **Justification |** Russia supplies nearly all of Hungary's natural gas under the terms of a long-term contract signed in 2021, but the United States should encourage Hungary to seek additional and alternative sources of energy. The liquefied natural gas (LNG) terminal at Krk Island in Croatia could provide one long-term alternative source, as could other regional options. Additionally, carbon-neutral sources would further diversify Hungary's energy links and allow it to meet its climate commitments.
- **Linkages |** Interim National Security Strategic Guidance; State-USAID JSP 1.2, 1.4, 2.2, 2.3, 2.4; EUR JRS 3.1, 3.4, 4.1, 4.4.
- **Risks |** The risks of the negative effects of climate change and future pandemics have become self-evident, and cooperation with Hungary is part of global efforts to mitigate those risks. Failure to include Hungary in the further development of emerging technologies in Western economies will slow that development and give an opening to strategic competitors with lower standards of openness, reliability, and democratic oversight. The global minimum tax is an important element a U.S. foreign policy for the middle class, and all EU member states must agree to its implementation for it to have a substantial effect worldwide.

Mission Goal 3 | Hungary supports and expands institutions and practices essential to the rule of law and democratic governance.

Description | The Administration has clearly stated that our democratic alliances form the foundation of our international influence and sets the goals of revitalizing democracy and fighting corruption around the world. Hungary is a NATO Ally and EU member state. However, its government has overseen the deterioration of some democratic practices and civil rights. At the same time, the Hungarian people know that corruption erodes their living standards and the rule of law. Mission Goal 3 contains three objectives on three policy lines of effort. Objective 3.1 focuses Embassy efforts on Hungarian government practices. Objective 3.2 focuses on the Hungarian people and media freedom. Objective 3.3 concerns Hungary's influence on democracy in Europe and globally.

Objective 3.1 | Legal and institutional changes strengthen the rule of law and combat corruption in its economy and government.

- **Justification |** This objective focuses Embassy efforts on Hungarian government action to improve democratic and rule of law practices, specifically on elections and corruption. The Embassy will work closely with multilateral organizations, like-minded partners, and the government to ensure free and fair elections and to follow the elections with democratic improvements to the electoral system. While the current government has engineered much of the democratic backsliding of the past decade, the Embassy will continue to seek partners at various levels in the Hungarian state to combat corruption. This effort could open new avenues of cooperation, for instance at municipal levels with different attitudes than the national government, and also reinforce productive relationships with professionals in the Hungarian state. The objective of Hungary's joining the EU Public Prosecutor's office would depend on a change of Hungarian government position but would make a critical difference in reducing corruption, increasing the government's ability to provide for its citizens, and improving the rule of law.

- **Linkages** | Interim National Security Strategic Guidance; EUR JRS 1.3, 2.1, 2.2, 2.3, 2.4, 4.3.

Objective 3.2 | Through US engagement and advocacy promoting a more effective and diverse media sphere, Hungarians better resist malign disinformation and meaningfully participate in democratic civic life and a free-market economy.

- **Justification** | Embassy efforts under this objective leverage U.S. government funding to bolster independent media, debunk foreign disinformation, and improve the civil rights of underrepresented groups. Though the government has strengthened its influence over most traditional media, independent, objective media coverage can find an audience, particularly online or at the local level. Likewise, Post can increase the influence of local civic organizations so that they can find the most effective way to improve conditions for communities that face discrimination or other disadvantages.
- **Linkages** | Interim National Security Strategic Guidance; EUR JRS 1.3, 2.1, 2.2, 2.3, 2.4.

Objective 3.3 | Diplomatic engagement influences Hungary to exert a positive influence on the strength of democracy in Europe and globally.

- **Justification** | The Interim National Security Strategy and State-USAID Joint Strategic Plan make clear that the United States will work with democratic allies and partners to strengthen democracy and the rule of law throughout Europe and Eurasia. This objective describes our efforts to ensure Hungary contributes to that work. Hungary has a strong interest in and links to the Western Balkans and that region's EU aspirations and therefore some influence over the development of the rule of law there. As a member of NATO and the European Union, as well as a country with its own active foreign and commercial policies, Hungary can influence or disrupt Western action on human rights issues outside of Europe, too. We want to work with Hungary to maximize U.S. and European efforts to strengthen human rights and democracy globally.
- **Linkages** | Interim National Security Strategic Guidance; State-USAID JSP 1.4, 3.1, 3.2, 3.3, 3.4; EUR JRS 1.3, 2.1, 2.2, 2.4.

4. Management Objectives

Management Objective 1 | Enhance the ability to achieve Mission objectives through functional, accessible, inclusive working and living environments.

- **Justification** | Government-owned properties need to be modernized to allow for effective Post operations. Cost effective measures, including feasibility studies and renovation projects, improve the condition of government-owned properties and the quality of available housing, keeping morale and productivity high. Beyond supporting staff physically, post leadership has emphasized efforts to foster an equitable and inclusive workplace.
- **Linkages** | State-USAID JSP 4.1, 4.3; EUR JRS 5.1, 5.3, 5.5.
- **Risks** | Failure to meet this objective risks the Mission's ability to recruit and retain employees at all levels. Water leaks, electrical issues, malfunctioning elevators and insufficient air conditioning disrupt employees' ability to effectively work and live. The inability to modernize government properties will reduce the embassy's ability to carry out its mission.

Management Objective 2 | Support Department goal of addressing the climate crisis by increasing effective use of resources and seeking new energy efficient means to operate our Mission facilities.

- **Justification** | Adopting environmental practices in the Mission's operations presents several advantages including increased operational resiliency, efficiency, and innovation. In addition, these initiatives offer the Mission an opportunity to demonstrate U.S. credibility and leadership by greening our facilities and making our operations more sustainable.
- **Linkages** | State-USAID JSP 4.2, 4.3; EUR JRS 5.1, 5.5.

- **Risks** | Failure to achieve this Mission Objective damages U.S. leadership on climate change. The mission mitigates these risks by exploring a wide variety of environmentally friendly practices and capitalizing on those that are feasible.

Management Objective 3 | Improve LE Staff retention rates through improved working environment, non-wage benefits for LE Staff, and better trained supervisors.

- **Justification** | The Department has emphasized the need to focus on recruitment of talent. The Embassy vies for local talent in an incredibly tight labor market. The Embassy relies on non-wage benefits to attract and retain its LE Staff. The ability to offer robust training and improved medical benefits give the embassy a competitive edge. Investment in work-study opportunities assists in advertising employment opportunities at the embassy to the next generation of Hungarians.
- **Linkages** | State-USAID JSP 4.1; EUR JRS 5.3, 5.5.
- **Risks** | Failure to implement these objectives will lead to an inability to develop the current LE Staff and to recruit the next generation of staff. With inflation eroding local wages, an exodus of experienced LE Staff will result in the loss of institutional memory and hamper effective embassy operations.