

A Short-lived Joy and Long-lasting Regret: Russian-Hungarian Nuclear Energy Relations

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As of February 24th, 2022, Hungary has been caught in a delicate geopolitical position due to Russia's war against Ukraine (Cafiero, 2022). Hungary's alliances with the European Union (EU) and Russia are under increasing pressure from both sides (Cafiero, 2022). While most EU Member States have imposed a series of sanctions against Russia (European Council & Council of the European Union, 2022), Hungary has consistently opted out of energy sanctions for economic and strategic reasons (Krukowska et al., 2022). Specifically, Hungary has continued importing Russian gas and has decided to proceed with Russian nuclear cooperation on Paks I & II (Szakacs & Richardson, 2022). In light of these tensions, a question arises: *Can Russian-Hungarian nuclear cooperation be justified against the backdrop of the war in Ukraine?*

To answer this question, I will conduct a cost-benefit analysis of Hungary's decision to cooperate with Russia. Cost-benefit analysis is an assessment method that seeks to weigh out the pros and cons of specific actions to understand their implications (Boardman et al., 2018). I will reflect on the role of gas and nuclear energy in shaping Hungarian relations with Russia and the EU before and after Russia's full-scale invasion of Ukraine. I argue that while Russian-Hungarian energy and nuclear cooperation is economically justified in the short run, it cannot be justified in the long-run. I conclude that the current Russian-Hungarian cooperation has short-term economic and strategic benefits for Hungary, but holds long-term economic and political consequences that includes becoming an outcast for the West.

Hungary's Relations with Russia and the EU

Hungary's relations with Russia were established following Hungary's independence in 1990 and have only strengthened in the past few years as the two countries have bolstered their industrial cooperation (Roscongress Foundation, 2020). In 2014, Hungary took a step further in strengthening Russian-Hungarian relations by entering a nuclear deal with Russia to build Paks I

nuclear reactors (Oliver & Byrne, 2015). Despite the EU's objections, Hungary signed the €12bn nuclear deal, allowing Russia to cover 80% of the costs in credit (Oliver & Byrne, 2015). This nuclear deal not only reshaped economic and energy policies for Hungary, but also served as justification for Hungary to maintain close political ties with Russia at the expense of Hungary's relationship with the West (Józwiak, 2021).

Turning Point: Russia's Full-Scale Invasion of Ukraine...

The Russian invasion of Ukraine in early 2022 became a significant turning-point for EU-Russia relations and subsequently Hungary's relations to the two powers. The EU was quick to condemn Russia's invasion, responding with a number of sanction packages against Russia, and creating action-plans to support Ukraine (European Council & Council of the European Union, 2022). While Hungary joined most sanctions, it pulled out of EU's energy sanctions, stating that its landlocked geography and energy dependence make it impossible to phase out Russian energy and monetary aid (Cohen, 2022).

Hungary's choice to prioritize Russian relations has contributed to the ongoing deterioration of relations between Hungary and the West (Deutsche Welle, 2022). Even prior to Russia's full-scale invasion of Ukraine, Hungary has on multiple occasions supported anti-democratic developments within its borders and disregarded Ukrainian territorial sovereignty due to its heavy dependence on Russia (Marácz, 2012; Deutsche Welle, 2022). In recent years, Hungary has abandoned the EU's value-based foreign policy, often disregarding the condemnation of human rights violations and the infringements of international law (Végh, 2022).

Short-Term Consequences

In the short run, some argue that Russo-Hungarian nuclear cooperation would be cost-effective as Hungary would have access to cheap gas and a loan to continue building its Paks II nuclear plant (Paks II, 2022). Hungary's choice of renewing supply deals with Russia allow the country to avoid immediate economic repercussions of gas shortage and drastic inflation (Szakacs & Richardson, 2022). Currently, energy generated by the Paks nuclear power plants is one of Hungary's main energy sources, as it provides up to 48% of the country's

electricity (Rapacka, 2022). Thus, Hungary's choice to proceed with its nuclear cooperation with Russia enables the production of cheap electricity and energy independence in the future (Gaal, 2021). This option provides low energy costs to Hungarian citizens, furthering Hungary's national interest in ensuring close relations with Russia while maintaining its EU and NATO membership. Hence, by this logic, one can argue that it is economically and strategically justifiable for Hungary to continue its nuclear cooperation with Russia.

Long-Term Consequences

However, in the long run, Hungary risks being isolated by its Western counterparts and risks losing its long-term funding from the EU (WITS, 2022). Upon Russia's full-scale invasion of Ukraine, Hungary's fellow landlocked Visegrád members have taken bolder steps in opposing Putin's war machine despite their heavy dependence on Russian gas (Cohen, 2022). However, as aforementioned, Hungary has chosen to proceed with its energy and nuclear cooperation with Russia, essentially "helping Putin in the war" (Askew, 2022) by placing its economic and strategic interests over ideological and moral values. That said, as of September 15th 2022, Hungary is no longer considered a democracy by the European Union (European Parliament, 2022). The European Parliament has condemned the Hungarian government's deliberate efforts to undermine European values (European Parliament, 2022), and overlook the rule of law (Netherlands Helsinki Committee, 2022). In response to Hungary's democratic backsliding, the EU suspended Hungary's €7.5bn in funding (AFP, 2022). Early this month, the EU and Hungary reached a preliminary deal where Hungary will stop vetoing an €18 billion support package for Ukraine in exchange for Hungary's Covid-19 recovery plan, which entitles Budapest to €5.8 billion in grants (Valero et al., 2022). Thus, in the long run, it is clear that Hungary's cooperation with Russia will not be sustainable for as long as Hungary remains in the EU, and leaving the EU is likely not in Hungary's interests. However, if Hungary proceeds to prioritize national interests, it will continue to face EU scrutiny, withholding of funds and potentially risk its EU membership (Deutsche Welle, 2022). Furthermore, Hungary's energy dependence on Russia may potentially put its territorial and political sovereignty in jeopardy in the long run.

Conclusion

In conclusion, while EU Member States are paying the price for Russian energy dependency (Eder, 2022), Hungary has been using this opportunity to further its national interests. To answer the research question, Russian-Hungarian nuclear cooperation is economically beneficial for Hungary in the short-run, and Hungary's heavy-dependence on Russia economically justifies opting out of energy sanctions on Ukraine. However, in the long run Hungary faces increased isolation from the EU, blockades of EU funding, potential sanctions, and risk of losing its EU membership. Hungary's short-term economic gains are temporary and will become more costly in the long run, making it unjustified economically or politically.

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