German Companies in Hungary. To adapt, endure, or engage?

Study
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Contents

Executive Summary

Hungary in 2024 is facing major political and economic challenges. According to its stated aim of strengthening national political and economic sovereignty, the Hungarian government is increasingly moving away from the liberal fundamental principles of the EU. Rule of law regression and the concentration of power in the government's hands has resulted in the European Commission freezing key EU funds. In addition, Hungary has found itself increasingly isolated within Western alliances because of its foreign policy and economic opening to strategic rivals such as Russia and China.

Until now, the economic impact of rule of law regression has not been the focus of European debates. This was because the majority of foreign companies in Hungary – especially German ones – profited from the favourable investment conditions. However, over the past two years, a growing number of companies from other EU countries have reported systematic restrictions on their activities, which they regard as a threat to free competition and the security of their investments in Hungary.

Against this background, this study presents Hungary as a case study of how rule of law regression impacts German companies in the EU single market. It is based on findings from specialist literature, Hungarian public procurement data, and six qualitative guided interviews with German companies and associations, which were analysed on an anonymised basis.

'Illiberal economic policies'

First, the study shows that rule of law regression in Hungary enables the use of 'illiberal economic policies.' Here, three characteristic policies are identified:

1. Strong instrumentalization of competition law. Ministerial decrees are used to exempt company mergers and concentrations in key strategic branches from competition law requirements and judicial review. Such instrumentalization leads to considerable legal uncertainty, unpredictability, and a lack of transparency in government actions.

2. De facto discrimination against foreign companies by means of extensive regulatory infringements. In particular, economic pressure is exerted on companies through sector-specific special taxes, in order to force them to sell to Hungarian businesspeople. Given the length of proceedings before national or European courts, companies tend to refrain from taking legal action. In some cases, they fear that any public criticism will lead to further restrictions on their activities.

3. Systematic distortion of public procurements to benefit favoured companies. As a result of the rule of law Conditionality Regulation, the risk of tender manipulation has transferred from EU funds to the national budget. However, the systematic significance of corruption in the maintenance of a state-protected economic branch remains unbroken.

These three illiberal economic policies are leading to a systematic dismantling of economic competition, which forms the foundation of the EU single market. The result is Hungary's development away from a liberal competitive state towards a 'patronage state.'[1]

First, existing EU instruments are failing to counter these illiberal methods. The Commission is reluctant to use its competition law powers, open discrimination against foreign firms is difficult to prove, and companies shy away from lengthy legal proceedings. There is therefore a de facto gap in protection for the security of investments in the single market if a government chooses to implement illiberal economic policies.

Second, the study shows that a stronger commitment in Germany to addressing economic problems has so far failed due to a 'double coordination trap.' On the one hand, the generally good business situation for most German companies in Hungary has prevented the emergence of a stronger common approach. Illiberal measures are viewed as a sector-specific risk rather than a general market obstacle. On the other hand, the legal protection gap prevents stronger political pressure being exerted on Hungary. Yet there are productive channels of communication between German companies and also with political actors in Berlin, Brussels, and Budapest. Their potential has not however been fully exploited to meet the existing challenges.

Policy Recommendations

The study formulates five recommendations to address these problems.

1. **Use and expand the European Commission's existing powers**
   The Commission should take a bolder approach in addressing infringements of free competition. In particular, this entails closer monitoring of the institutional independence of national competition authorities, stronger application of interim measures in infringement proceedings, the expansion of financial conditionality, and better coordination between the Directorates-General within the Commission.

2. **Strengthen investment protection in the European Union**
   The Achmea judgment of the European Court of Justice (ECJ) can lead to legal protection gaps in relation to 'illiberal economic policies.' On the one hand, greater consideration should be given to investment protection in the European Commission's Rule of Law Report. On the other, the use of Article 257 of the Treaty of the Functioning of the European Union (TFEU) to establish a specialised court for investment protection should be considered.

1 Miklós Szanyi (2019a): The Emergence of the Patronage State in Central Europe: The Case of FDI-Related Policies in Hungary Since 2010, in: Tamás Gerőcs/Miklós Szanyi (eds.) (2019): Market Liberalism and Economic Patriotism in the Capitalist World-System, London: Palgrave Macmillan, pp. 99-126.

3. **Institutionalize coordination between companies and politics in Germany**
   Paradoxically, the increased pressure caused by illiberal economic policies provides an opportunity to overcome conflicts of interest between politics and companies. Both parties have a fundamental interest in preserving the integrity of the single market. Institutionalising exchange formats between ministries, companies, and associations can help better identify systematic challenges.

4. **Maintain bilateral German-Hungarian dialogue**
   Despite political differences, German-Hungarian dialogue should be maintained. This is where the German federal states in particular can play a prominent role in improving economic and civil society contacts at the local and regional levels.

5. **Promote socio-economic convergence in Europe**
   The existing socio-economic inequalities in Europe harbour great potential for conflict and can contribute to the strengthening of illiberal political actors. A single market without a social policy component undermines the legitimacy of the European unification process in the long term. The social dimension of the single market must therefore be strengthened in order to reduce inequalities and to promote socio-economic convergence in Europe.

1. Introduction

2023 marked the 30th anniversary of the European single market as an 'area of freedom, progress, opportunity, growth, shared prosperity and resilience.'[2] Nevertheless, the single market also faces major challenges, which influenced the outcome of the June 2024 European parliamentary elections. These challenges include pressures arising from the digital and economic transformations, competition over strategic resources and skilled workers, and the question of Europe's international competitiveness.[3]

While discussions over the single market focus primarily on economic challenges, one trend from the last 15 years has gone largely unnoticed: the rule of law regression in certain EU member states. Yet the rule of law is a key pillar of the functioning and integrity of the single market, as Enrico Letta emphasised in his April 2024 report.[4] The rules of the single market are an elementary component of the Acquis communautaire. The dismantling of judicial independence or institutional separation of powers in some EU member states therefore raises the question of how rule of law regression impacts companies and the single market.

The case of Hungary is of particular interest when examining this question. Leading indicators of the quality of democracy and rule of law show that rule of law regression in Hungary is the most advanced in the EU.[5] Within the framework of the Conditionality Regulation, Hungary must implement reforms in the judiciary or strengthen anti-corruption measures in order to release EU funds blocked by the European Commission.[6]

The lack of European debate over the economic impact of rule of law regression in Hungary can be explained by Hungary's importance as a business location: it offers international companies attractive investment conditions thanks to its well-trained specialists, modern infrastructure, and generous subsidy policy. In 2023, EUR 11.8 billion in foreign direct investment (FDI) flowed into the country, double the amount from the previous year.[7]

In particular, German companies have enjoyed great success in Hungary. In 2023, Germany ranked first for both Hungarian imports and exports with a trade volume of around EUR 70 billion. From the German perspective,

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2 European Commission (2023): 30 Jahre Binnenmarkt, COM(2023) 162 final.

3 European Commission (2024a): The 2024 Annual Single Market and Competitiveness Report, COM(2024) 77 final.

4 Enrico Letta (2024): Much More Than A Market. Empowering the Single Market, p. 141.

5 World Justice Project (2023): Hungary, https://worldjusticeproject.org/rule-of-law-index/country/2023/Hungary/ (10.06.2024); Zsuzsanna Végh (2023): Nations in Transit 2023. Country Report Hungary, https://freedomhouse.org/country/hungary/nations-transit/2023 (10.06.2024).

6 Council of the European Union (2022): Council Implementing Decision (EU) 2022/2506 on measures to protect the Union budget against breaches of the principles of the rule of law in Hungary, in: Official Journal of the EU L 325/94, paragraph 11.

7 Hungarian Investment Promotion Agency (2024a): Previous All-Time High FDI Inflow Doubled in Hungary, https://hipa.hu/news/previous-all-time-high-fdi-inflow-doubled-in-hungary/ (08.05.2024).

Hungary ranks twelfth for imports and thirteenth for exports, ahead of the United Kingdom and Japan.[8] The most important product group in German-Hungarian trade is motor vehicles and related accessories.[9] The Hungarian subsidiaries of Audi, Mercedes-Benz, and Bosch are among the ten firms with the highest turnover in Hungary.[10]

Given the good business situation, both German companies and the federal government have been criticised by the media and in academia for ignoring violations of European values of democracy and the rule of law in favour of profits – especially in the automobile industry.[11] In the past two years however, a shift has taken place in German debates about the impact of Hungarian economic policy. Although Hungary continues to be highly attractive for many German investors, there has been an increase in the number of companies complaining – mostly anonymously, with a few exceptions – about unfair competition conditions, and seeking support from the German government or the European Commission.[12] The reason for this is the notable consequences of a nationalisation policy which the Hungarian government has pursued since 2010 with the stated goal of strengthening national sovereignty.[13] To this end, the government is intervening intensively in market economy processes by systematically circumventing the principles of competition law and imposing regulatory restrictions on strategic branches of the economy. These interventions can be understood as the hallmarks of an illiberal economic policy.[14]

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8 Federal Statistical Office of Germany (2024): Außenhandel. Rangfolge der Handelspartner im Außenhandel der Bundesrepublik Deutschland (vorläufige Ergebnisse), https://www.destatis.de/DE/Themen/Wirtschaft/Aussenhandel/Tabellen/rangfolge-handelspartner.pdf?__blob=publicationFile (17.05.2024), p. 2; Hungarian Central Statistical Office (2024): EUR value and value indices of external trade in goods by main partner countries [at current prices], https://www.ksh.hu/stadat_files/kkr/en/kkr0008.html (03.06.2024).

9 OEC (2024): Germany / Hungary, https://oec.world/en/profile/bilateral-country/deu/partner/hun?depthSelector=HS2Depth (03.06.2024).

10 Flora Medve (2024): Largest companies in Hungary in 2022, by revenue, https://www.statista.com/statistics/1375778/hungary-leading-companies-by-revenue/ (23.05.2024).

11 Andrea Éltető (2022): Mutual interests: the Hungarian government and the multinational companies. TEPSA Brief, https://tepsa.eu/analysis/mutual-interests-the-hungarian-government-and-the-multinational-companies (03.06.2024); Stephan Ozsváth: Ausländische Unternehmen werben lieber in staatsnahen Medien, in: Deutschlandfunk 24.09.2020; York Albrecht/David Nonhoff (2023): Die liberale Demokratie verteidigen. Empfehlungen an die Bundesregierung angesichts der ungarischen Autokratisierung, Institut für Europäische Politik, Berlin, https://iep-berlin.de/de/projekte/zukunft-der-europaischen-integration/ungarn-neu-denken/policy-paper-die-liberale-demokratie-verteidigen-ungarn/ (24.06.2024).

12 Zoltan Simon/Marton Eder (2024): Hungary's Orban Comes Under Fire From German Investors Decrying Cronyism, in: Insurance Journal, 01.05.2024.

13 Alexander E. Gale (2023): Hungary, Russia, the West, and the Rest: Orbán's Hedging Strategy, in: Global Policy Journal, 05.12.2023; Dániel Hegedűs (2021): Ungarns Selbstperipherisierung in der Europäischen Union: Hintergründe und Aussichten, in: Ellen Bos/Astrid Lorenz (eds.) (2021): Das politische System Ungarns. Nationale Demokratieentwicklung, Orbán und die EU, Wiesbaden: Springer VS, pp. 1091-208.

14 Miklós Szanyi (2019b): Introduction, in: Gerőcs/Szanyi (eds.): Market Liberalism and Economic Patriotism in the Capitalist World-System, pp. 1-8, p. 6.

As a result, greater attention is being paid to the economic impact of Hungarian rule of law regression. Because a growing number of companies are directly affected by this regression, the issue of EU law compliance is becoming more relevant beyond the standard political and ideological battle lines. Companies are also willing to position themselves more strongly in favour of compliance with rule of law principles. The core argument of this study, therefore, is that preserving the integrity of the European single market together with functioning competition is a common concern shared by companies and politics in Germany (and Europe) in their dealings with Hungary. For companies, a robust single market means fair competition conditions, investment security, and predictability of the regulatory environment. From a political perspective, the focus is on compliance with applicable EU law, and mutual trust. This shared interest can help overcome existing conflicts of interest in order to work more closely together on upholding European fundamental values.

Against this background, the present study is structured as follows: Chapter 2 emphasises the importance of properly functioning competition and rule of law in the single market. Chapter 3 then sets out Hungary's economic policy objectives since 2010, while Chapter 4 elaborates on the characteristics of Hungary's illiberal economic policy. Three central methods of illiberal economic policy are defined: systematic infringements of competition law; the regulatory control of companies in strategic branches of the economy; and cronyism in public procurement processes. Chapter 5 evaluates the effects of these policies on German companies with regard to six anonymised guided interviews with the representatives[15] of German companies and associations active in Hungary. It will be shown that from the companies' perspective, illiberal methods lead to a weaking of investment and legal certainty in Hungary. Finally, this study offers recommendations on how political and economic actors should address these challenges. Among other things, the study recommends making better use of the European Commission's existing competences in competition law, strengthening investment protection at the EU level, and institutionalising discussion formats between companies and political actors at both the bilateral and European level.

15 In the interests of better readability, this study uses the generic masculine, while all references to persons should be regarded as gender neutral.

2. The Economic Dimension of Democratic and Rule of Law Regression

The rule of law is defined in Article 2 of the Treaty of the European Union (TEU) as a fundamental value for all EU member states. In 2020, the Conditionality Regulation operationalised the rule of a law in EU law in a binding manner for the first time:

> *'The rule of law requires that all public powers act within the constraints set out by law, in accordance with the values of democracy and the respect for fundamental rights as stipulated in the Charter of Fundamental Rights of the European Union (the 'Charter') and other applicable instruments, and under the control of independent and impartial courts. It requires, in particular, that the principles of legality implying a transparent, accountable democratic and pluralistic law-making process; legal certainty; prohibition of arbitrariness of the executive powers; effective judicial protection, including access to justice, by independent and impartial courts; and separation of powers, be respected.'*

Box 1: the definition of the rule of law in EU law.[16]

As a constitutional principle of European integration,[17] the rule of law is also a fundamental principle of the single market. It guarantees the liberal basic right to property, access to an independent judiciary for conflict resolution, and the minimisation of political influence. In addition, the principles of legality and legal certainty offer firms stability, predictability, and a stake in the regulations that apply to them. In a globally networked economy, intact rule of law principles are therefore both a prerequisite and also a location advantage for strengthening confidence in taking investment risks.[18]

Ordoliberalism – which defines a strong concentration of economic and political power as a danger for both the economy and democracy[19] – played a decisive role in the establishment of the European single market. From this perspective, the enforcement of competition law is of key importance: by preventing excessive concentrations of economic and political power, competition law can help prevent the dismantling of rule of law

16 Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget, in: Official Journal of the European Union LI 433 l.

17 Franco-German Working Group on EU Institutional Reform (2023): Sailing on High Seas: Reforming and Enlarging the EU for the 21st Century, https://www.auswaertiges-amt.de/en/aussenpolitik/europe/cooperation-in-europe/-/2617320 (10.06.2024), p. 5.

18 European Commission (2024b): Wahrung der Rechtsstaatlichkeit, https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/upholding-rule-law_de (24.05.2024).

19 Anselm Küsters (2023): The Making and Unmaking of Ordoliberal Language. A Digital Conceptual History of European Competition Law, Studien zur europäischen Rechtsgeschichte 340, Frankfurt am Main: Klostermann; Kati Cseres (2022a): EU Competition Law and Democracy in the Shadow of Rule of Law Backsliding, Amsterdam Law School Legal Studies Research Paper No. 2022-05, p. 5; Kati Cseres (2019a): Rule of Law Challenges and the enforcement of EU competition law: A case-study of Hungary and its implications for EU law, in: Competition Law Review, 14 (1), pp. 75-101, p.76.

structures. Due to this interaction between the rule of law and competition law, the latter may also be understood as the 'quasi-constitutional foundation of liberal democracy.'[20]

Formulated by the European Council in 1993, the Copenhagen Criteria for EU accession also emphasise the connection between competitiveness and political stability. They define as conditions for accession, among other things, a stable democratic and rule of law order, a functioning market economy, and the implementation of the EU Acquis.[21] While the Copenhagen Criteria are strictly applied in accession negotiations, their application is paradoxically much more difficult once a state has become an EU member. They cannot prevent rule of law or democratic regression after accession.[22]

Hungary is the clearest example of such a regression process. Since Fidesz's election victory in 2010, a steady 'centralisation of power in the executive'[23] has been found. The predominant contributing factors are the party's constitutional majority in parliament, the repeated extension of the state of emergency[24] which allows for rule by decree, the filling of state offices with loyal appointees, as well as the restriction of judicial independence.[25] These measures affect not only the political sphere but also have economic effects, by disempowering key institutions such as competition authorities, or manipulating the public procurement process in favour of political allies.[26]

Consequently, the enforcement of fair competition is the main area in which rule of law regression impacts the economy and companies. The European Commission and member states share competences in competition law: within the European Competition Network (ECN), national competition authorities share responsibility with the Commission for enforcing competition law in the single market.[27] Interference in the functionality and independence of national competition authorities can therefore undermine the mutual trust between member states, a basic prerequisite of the European single market in accordance with Articles 2 and 4 of the TEU.[28]

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20 Cseres (2022a), p. 5.

21 Cseres (2022a), p. 8.

22 Yasmine Bouzoraa (2023): The Value of Democracy in EU Law and its Enforcement: A Legal Analysis, in: European Papers 8 (2), pp. 809-851, p. 823.

23 Ellen Bos (2021): Politisches System und Demokratieentwicklung in Ungarn: Funktionsdefizite und Instrumentalisierung demokratischer Verfahren durch die Regierungsparteien, in: Ellen Bos/Astrid Lorenz (eds.) (2021): Das politische System Ungarns. Nationale Demokratieentwicklung, Orbán und die EU, Wiesbaden: Springer VS, pp. 25-56.

24 Gábor Mészáros (2022): Rule Without Law in Hungary: The Decade of Abusive Permanent State of Exception, Max Weber Programme Working Paper MWP 2022/01.

25 Zsuzsanna Végh (2024): RESILIO Country Report Hungary, Institute for European Policy, Berlin, https://iep-berlin.de/de/projekte/zukunft-der-europaischen-integration/resilio/laenderanalysen/ (24.06.2024).

26 Kati Cseres (2019b): Editorial - Constitutional Challenges in Europe: The Impact and Role of Competition Law, in: The Competition Law Review 14 (1), pp. 1-8, p.4.

27 Ovidiu Horia Maican (2020): Legal Regime of Competition in Hungary, in: Perspectives of Law and Public Administration 9 (2), pp. 284-292.

28 Maciej Bernatt (2022): The Double Helix of Rule of Law and EU Competition Law: An Appraisal, in: European Law Journal 27 (1-3), pp. 148-166, p. 149.

From an economic perspective, the centralisation of power and the dismantling of institutional counterweights have a double impact. Rule of law regression can lead to a monopolisation of market power which, seen from the ordoliberal perspective, can help stabilise autocratic regimes. In addition, this leads to a deterioration in mutual trust as a key condition for investment and free and fair competition not only on the domestic market, but also on the European single market.

For these reasons, this study conceptualises 'illiberal economic policies' as those that systematically distort competition, monopolise market power, and weaken independent market supervision authorities. It is important to emphasise that they are not an exclusively Hungarian phenomenon, but are also applied in other EU member states. A focus on Hungary is nevertheless worthwhile, because the country serves as a 'laboratory of illiberal governance,'[29] shaping the formulation of illiberal politics and acting as a model for other governments in Central and Eastern Europe. For this reason, the following chapter specifically addresses Hungarian economic policy since 2010, while the subsequent section deals with the 'illiberal economic policies' that have been implemented.

3. Hungarian Economic Policy since 2010

The Hungarian government's economic policy priorities since 2010 have been closely linked to its domestic and foreign policy goals. The primary goal is named as the establishment and recovery of national sovereignty. This basic idea is also reflected in Viktor Orbán's stated conviction that the 21st century is characterised by a global contest around the political organisation of a competitive nation. In Orbán's view, in order to be competitive, Hungary must turn away from traditional Western liberal dogmas and instead adopt illiberal practices, such as those seen in Singapore, China, or Russia.[30] Accordingly, the key to national sovereignty is therefore power.[31]

In April 2024, and with a view to elections taking place around the world, Orbán argued that a crisis of the progressive liberal world order offered an opportunity to replace it with one based on sovereignty. The actions of states would then be organised according to mutual benefit and without ideology.

29 Péter Krekó/Zsolt Enyedi (2018): Explaining Eastern Europe: Orbán's Laboratory of Illiberalism, in: Journal of Democracy 29 (3), pp. 39-51, p. 48.

30 Viktor Orbán (2014): Full text of Viktor Orbán's speech at Băile Tuşnad (Tusnádfürdő) of 26 July 2014, https://budapestbeacon.com/full-text-of-viktor-orbans-speech-at-baile-tusnad-tusnadfurdo-of-26-july-2014/ (03.06.2024).

31 Viktor Orbán (2023a): Speech by Prime Minister Viktor Orbán at the Századvég Sovereignty Conference, https://miniszterelnok.hu/en/speech-by-prime-minister-viktor-orban-at-the-szazadveg-sovereignty-conference/ (14.05.2024).

'Everyone will be able to trade with everyone else, and it will be up to individual states to build networks of connections that prevent them entering into unequal relationships of dependency.'

Box 2: Viktor Orbán in a speech of April 2024.[32]

The emphasis on national sovereignty in Hungary must be understood in the context of the experience of historical transformation since the fall of communism in 1989/90. Over the course of the transformation from a planned to a market economy, Hungary and other Central European countries attracted FDI through low labour costs and generous fiscal investment incentives, which were intended to ensure embeddedness in international added value chains.[33] However, this contributed to a relationship of dependency whereby domestic economic growth was influenced to a great extent by investment decisions made by foreign – and in Hungary's case mostly German – business concerns.[34] These companies had a direct influence over Hungarian national subsidy, location, and even education policy.[35] The dependence on foreign capital was highlighted once more during the fallout from the 2008 financial crisis, which contributed to Fidesz's election victory in 2010.[36]

Since then, Hungarian government actions have been characterised by both a continuation of its FDI-based location policy, as well as strong market interventions. Such a specific combination of rational economic policy together with nationalist ideological elements has been described in the literature as 'Orbanomics.'[37] Accordingly, international companies' investments are required to stabilise Hungary in macroeconomic terms, support the national currency, and offer the Hungarian workforce well-paid and secure jobs.[38] One key institution that plays a particularly important role in attracting investors is the Hungarian Investment Promotion Agency (HIPA), founded in 2014. HIPA enjoys an excellent reputation among German companies, as interviews carried out for this study show.[39] Further attractive location factors include the availability of highly-trained specialists, low corporate rate tax, and state subsidy of employers' social security contributions, which helps cushion ri-

32 Viktor Orbán (2024): Speech by Prime Minister Viktor Orbán at the Opening of the CPAC Hungary Conference, https://miniszterelnok.hu/en/speech-by-prime-minister-viktor-orban-at-the-opening-of-the-cpac-hungary-conference-2024-04-26/ (14.05.2024).

33 Andreas Nölke/Arjan Vliegenthart (2009): Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe, in: World Politics 61 (4), pp. 670–702.

34 Nölke/Vliegenthart (2009), p. 676.

35 Miklós Szanyi (2016): The FDI-led development model revisited? The case of Hungary, Centre for Economic and Regional Studies HAS Institute of World Economics Working Paper Nr. 220, p. 11.

36 Szanyi (2019b), p. 2.

37 Scheiring (2020); Tamás Csillag (2015): Understanding 'Orbanomics': Economic Nationalism in the Era of Globalization, Central European University Thesis.

38 Miklós Szanyi (2023): Rent-seeking Business Elites and Populism in Poland and Hungary, in: Magnus Feldmann/Glenn Morgan (eds.) (2023): Business and Populism, Oxford: Oxford University Press, pp. 138-157, p. 151.

39 Interview 1.

sing wage costs.[40] Finally, there is also the factor of cultural and geographical proximity, which offers German firms a 'clumping effect'[41] so that they can access existing networks in Hungary.

An important pillar of the Hungarian government's location policy since 2012 has been the conclusion of strategic partnership agreements (SPA) with foreign companies that meet specific conditions. They must have been active in Hungary for over five years, have over 1,000 employees, contribute significantly to the Gross Domestic Product (GDP), and have at least ten percent of their used materials delivered by Hungarian companies.[42] The SPAs further define areas in which the government and companies wish to cooperate. For example, publicly available SPAs reveal, among other things, that companies declare themselves willing to expand their activities in Hungary, and to invest more in research and development or in specific local communities and municipalities. In return, the SPAs offer tax rebates, the opportunity to participate in government consultations on draft legislation aimed at increasing Hungary's competitiveness, or access to high-ranking government representatives.[43]

In 2016, there were 54 SPAs with foreign companies in sectors defined as important for the Hungarian national economy (the automobile, electronics, and pharmaceutical sectors); today there are almost 100.[44] German companies with cooperation agreements are mostly engaged in the automotive industry and its suppliers.[45] This location policy benefits primarily export-oriented companies and is a major reason why most German companies operating in Hungary are highly satisfied economically. The results of an April 2024 survey carried out by the German-Hungarian Chamber of Industry and Commerce show that 80 percent of respondents would chose Hungary as an investment location again.[46] These levels of satisfaction are also reflected in the interviews carried out here with German companies, for whom Hungary remains a highly attractive and profitable market.

40 Interview 4.

41 Interview 1.

42 Transparency International Hungary (2014): Lifting the Lid on Lobbying. Strategic Partnership Agreements in an Uncertain Business Environment. Country Report of Hungary, https://transparency.hu/en/kozszektor/lobbizas/lifting-the-lid-on-lobbying-national-report-of-hungary/ (10.05.2024), p. 34.

43 Government of Hungary (2012): Strategic Partnership Agreement concerning cooperation between the Government of Hungary and HANKOOK TIRE Ltd., https://2010014.kormany.hu/download/b/8d/b0000/Korm%C3%A1nyHANKOOK%202012%2011%2027_ANGOL.pdf (30.05.2024); Transparency International Hungary (2014), p. 38.

44 HIPA (2024b): Much-needed Assembly Plant Added to Bayer Construct Zrt.'s Portfolio, https://hipa.hu/news/much-needed-assembly-plant-added-to-bayer-construct-zrt-s-portfolio/ (30.05.2024).

45 Szanyi (2016), p. 26.

46 Deutsch-Ungarische Industrie- und Handelskammer (2024a): DUIHK Konjunkturbericht April 2024, p. 54.

In stark contrast to these conditions however, the Hungarian nationalisation strategy is generating an enormous increase in state interventions in sectors that the government defines as strategically important for national sovereignty. Primarily, these are sectors that do not generate export revenues, such as the construction, energy, or finance sectors, as well as service industries.[47]

The aim of such interventions in strategic sectors is to force domestic and foreign companies out of the market, and to sell to Fidesz-affiliated entrepreneurs. The Hungarian companies most affected by this policy are small and medium-sized enterprises (SMEs),[48] for whom the permanent threat of takeover means they must limit their own growth in order not to attract the attentions of state-affiliated companies. This compromises the innovative capacity of the Hungarian economy as a whole. In addition, the state not only rewards its favoured business partners with opportunities for takeovers but also acquires companies itself. For instance, in June 2024, the national acquisition of 80 per cent of shares of Budapest Airport from a German company following years of negotiations was announced.[49]

The Hungarian government legitimises its economic policy with reference to the defence of national sovereignty, and combines it with various social policy measures aimed at benefitting various social groups.[50] Nevertheless, the greatest beneficiaries are the businessmen with good connections to the county's political elite.[51] Hungary's economic policy development since 2010 has therefore been described as a transformation from a competitive to a 'patronage state.'[52] This is characterised by the adaptation of institutional frameworks to enable the systematic monopolisation by a closed group of central positions in politics, economics, and culture.[53] The government's market interventions are not without consequences. The interviews conducted as part of this study show that German companies are keeping a close eye on the Hungarian regulatory environment and adopting an alert stance.[54] In many cases, economic policy is regarded as politicised. In particular, the 'national champions' policy from which selected Hungarian businessmen profit is followed closely and critically. When companies are confronted with regulatory problems, they first check whether these are due to individual fac-

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47 Herbert Küpper (2021): Von der liberalen Planwirtschaft zur illiberalen Marktwirtschaft: Vertragsstabilität und Vertragsdurchsetzung bei Außenhandelsverträgen in Ungarn, in: Herbert Küpper/Friedrich-Christian Schroeder (eds.) (2021): Rule of Law und institutioneller Wandel: Vertragsstabilität und Vertragsdurchsetzung in Osteuropa, Studien des Instituts für Ostrecht Band 84, München: Peter Lang, pp. 135-243, p. 160; Gabor Scheiring (2020): Orbanomics. A polarising answer to the crisis of liberal dependent capitalism, Friedrich-Ebert-Stiftung Budapest, p. 6.

48 Les Nemethy (2023): NEMETHY: The oligarch model in Hungary, in: bne IntelliNews, 01.12.2023.

49 Michaela Seiser (2024): Ungarn verstaatlicht Flughafen in Budapest, in: Frankfurter Allgemeine Zeitung, 06.06.2024.

50 Dorottya Szikra (2024): Illiberal Social Policies: A Wake-Up Call for Democratic Forces, in: AUTHLIB Working Papers Series 2024 (1).

51 Bálint Magyar/Bálint Madlovics (2022): A Concise Field Guide to Post-Communist Regimes. Actors, Institutions, and Dynamics, Budapest: CEU Press.

52 Szanyi (2019a), p. 100.

53 Szanyi (2019b), p. 5.

54 Interview 2.

tors, or whether they are the consequences of an institutional economic policy strategy.[55] Rather than taking a confrontational approach, firms often choose a cooperative strategy based on dialogue. This underscores the huge importance of informal connections for doing business in Hungary. Yet productive exchanges with knowledgeable Hungarian politicians is often overshadowed by 'big politics.'[56] For some companies, regulatory interference has reached a point at which 'legal certainty is a thing of the past.'[57] The government creates conditions under which 'repressive behaviour is legal,' by 'changing laws instead of breaking them.'[58] From a business perspective, these conditions could do long-term damage to Hungary as a business location, and diminish the willingness to invest.

In summary, Hungarian economic policy since 2010 has been shaped by two major developments. On the one hand, a business-friendly location policy ensures attractive investment conditions – mainly in the export-oriented manufacturing sector dominated by foreign companies – which provides jobs and macroeconomic stability. On the other hand, the stated goal of national sovereignty has led to extensive market interventions in sectors that are less important in macroeconomic terms, but which are strategically important for political reasons. Such interventions are accompanied by a severe restriction on functioning competition in Hungarian markets. The following chapter therefore focuses specifically on the Hungarian government's illiberal methods.

4. Illiberal Economic Policies

With regard to the Hungarian government's chosen strategic sectors, three methods of market intervention can be distinguished. First, the government has expanded its own powers by means of legislative adjustments to competition law. Second, foreign companies active in strategic sectors are singled out for high levels of regulatory pressure, including sector-specific special taxes in particular. Third, public procurement processes are manipulated in order to benefit politically favoured candidates.
These methods contribute to a systematic distortion of free and fair competition between companies, which is characteristic of well-functioning markets. In the Hungarian example, they exist in direct relation to the political goal of national sovereignty and are made possible by the rule of law regression, which will be detailed in the following sections.

4.1. Interference in competition law

The most important illiberal measure in Hungary is the extensive market interference caused by the systematic use of ministerial decrees. First and foremost, these are used to restrict the powers of the responsible competition office, the Gazdasági Versenyhivatal (GVH), to fulfil its mandate to enforce national and European rules

55 Interview 4.
56 Interview 5.
57 Interview 6.
58 Interview 6.

on free and fair competition.[59] In 2012, the first ministerial authorisation was introduced in the agricultural sector, which allowed exceptions to the competition law in the public interest. This was followed in 2013 by the introduction of a corresponding norm that was valid for the entire economy. This is Article 24/A of the Competition Act, which enables the government to allow company mergers in the public interest by decree, if they are of strategic national importance, for example in terms of securing jobs or supply.[60] Similar exceptions to the competition law exist in Germany and other EU member states. However, a comparison reveals the qualitative difference of the Hungarian norms: they enable the complete evasion of the competition authority, as mergers pursuant to Article 24/A are not subject to the obligation to notify the GVH. More serious, however, is the fact that Hungarian ministerial approvals by means of government decrees are not subject to judicial review.[61] A 2011 constitutional amendment established that issues such as state budget, taxes, levies, or customs duties are excluded from constitutional review.[62] In cases where challenges to such decrees can in fact be made before the Constitutional Court, the Court has often supported the government's position.[63] This illustrates how the government's room for manoeuvre is further expanded by rule of law deficiencies. Otherwise, the importance of judicial review of ministerial approval was demonstrated in Germany in 2016, during the controversy over retailer Edeka's takeover of Kaiser's Tengelmann. The case led to the resignation of the chairman of the Monopolies Commission of the competition authority (Bundeskartellamt), and discussions about abolishing the norm.[64]

Beyond its wording, also the practical application of ministerial approvals differs in Hungary and Germany, as illustrated in Figure 1. In Germany, a total of 23 applications were submitted to the Ministry of Economic Affairs from 1973 (when the standard was introduced) to 2020. Approval was granted in ten cases, although these were often subject to additional provisions or conditions.[65] In Hungary, the exemption rule was applied 31

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59 Gazdasági Versenyhivatal (2006): The responsibilities of the Authority, https://www.gvh.hu/en/gvh/responsibilities_of_the_gvh/2349_en_the_responsibilities_of_the_authority (15.05.2024).

60 Article 24/A of the Competition Law reads as follows: 'The Government may, in the public interest, in particular to preserve jobs and to assure the security of supply, declare a concentration of undertakings to be of strategic importance at the national level. Such concentrations shall not be subject to an obligation of notification to the Hungarian Competition Authority pursuant to Article 24.' Gazdasági Versenyhivatal (2024): Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices as it is applicable from 1 January 2019, https://www.gvh.hu/en/legal_background/rules_for_the_hungarian_market/competition_act (17.06.2024).

61 Cseres (2022a), p. 16; Bernatt (2022), p. 160, footnote 103.

62 András Jakab/Eszter Bodnár (2021): Agonie eines jungen Verfassungsstaates. Die ungarische Verfassung 1989 bis 2019, in: Ellen Bos/Astrid Lorenz (Hrsg.) (2021): Das politische System Ungarns. Nationale Demokratieentwicklung, Orbán und die EU, Wiesbaden: Springer VS, p. 57-73, p. 64.

63 European Commission (2024c): 2024 Rule of Law Report. Country Chapter on the rule of law situation in Hungary, SWD(2024) 817 final, p. 32.

64 Maximilian Konrad: Time to Say Goodbye, in: Verfassungsblog, 29.11.2021.

65 Bundesministerium für Wirtschaft und Klimaschutz (2019): Übersicht über die bisherigen Anträge auf Ministererlaubnis nach § 24 Abs. 3/§ 42 GWB, https://www.bmwk.de/Redaktion/DE/Downloads/Wettbewerbspolitik/antraege-auf-ministererlaubnis.html (24.05.2024).

times between 2013 and 2020, 13 times in the energy sector alone.[66] This enabled the re-nationalisation of the national energy supply, which in turn allows the government to provide targeted relief to customers for utility bills, often just before elections.[67]

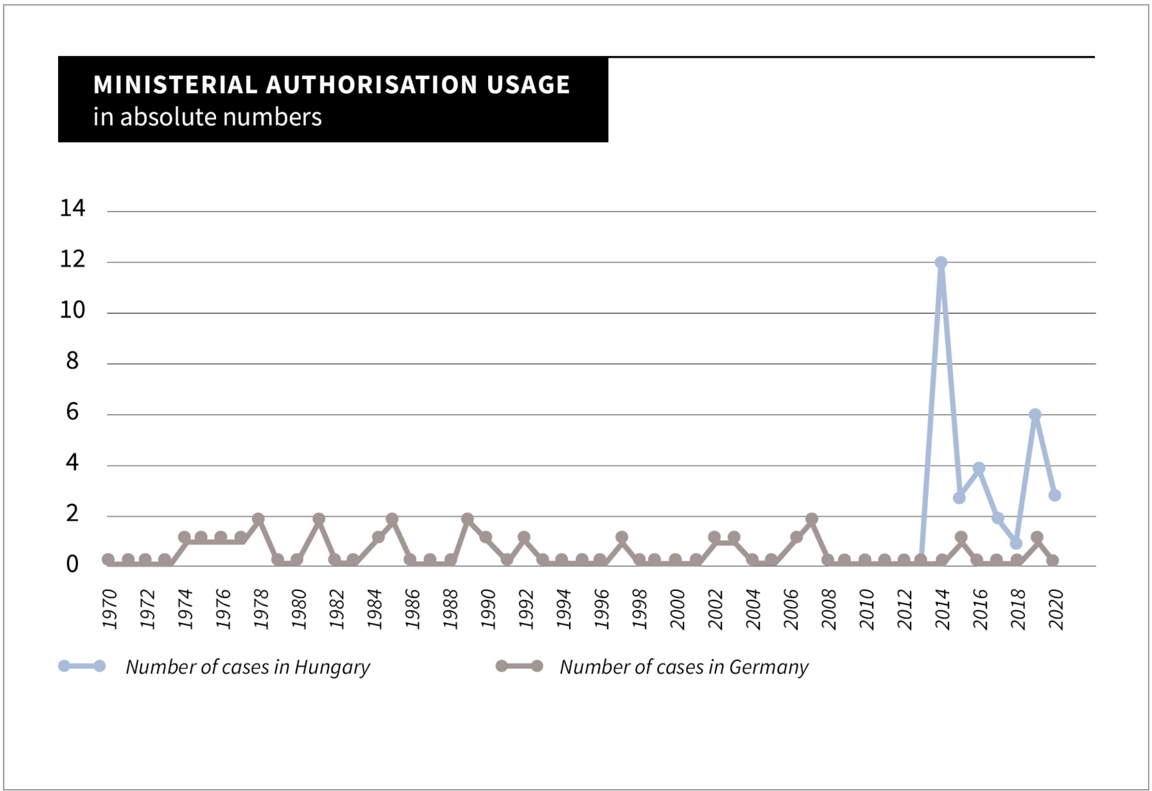

Figure 1: Comparison of ministerial authorisation usage in Germany and Hungary.[68]

Beyond the energy sector, the use of ministerial authorisation in the Hungarian media sector has also had a serious impact on the public sphere and democratic decision-making. In 2018, ten Fidesz-affiliated media companies transferred 476 of their firms, together worth around EUR 22 million, to the newly-formed Central European Press and Media Foundation (KESMA) free of charge.[69] This concentration was legalised through the application of Article 24/A by government decree. Since then, KESMA has comprised over 480 publications and

66 Csaba Balázs Rigó et al. (2021): Merger Control in Hungary, in: Public Finance Quarterly 2021 (2), pp. 252-274, p. 263.

67 John Szabo et al. (2022): Energy Governance in Hungary, in: Michèle Knodt/Jörg Kemmerzell (eds.) (2022): Handbook of Energy Governance in Europe, Cham: Springer, pp. 737-768.

68 Own compilation based on Rigó et al. (2024) and Bundesministerium für Wirtschaft und Klimaschutz (2019).

69 Márton Sarkadi Nagy (2024): The rise of KESMA: How Orbán's allies bought up Hungary's media, https://ipi.media/the-rise-of-kesma-how-orbans-allies-bought-up-hungarys-media/ (24.05.2024); Gábor Medvegy (2020): Ungarisches Gericht stellt sich Orbáns Medienimperium entgegen, in: Liberties, 29.01.2020.

broadcasters, including all regional daily newspapers, and is managed by an individual close to the government. Together with other private media companies as well as Fidesz-influenced public media, this concentration of pro-government media outlets enjoys a market share of around 78 percent.[70] Because the government places advertisements on a massive scale, private media find themselves under immense economic pressure to ensure they are not excluded from this advertising business. As a result, this has produced a 'largescale concentration of political power by the government aggravating the already shrinking space for media pluralism in the country.'[71]

Moreover, ministerial authorisation has also been used in the telecommunications market. Since 2021, the provider 4iG took over a large number of telecoms providers on the basis of ministerial decrees. At the start of 2023, 4iG and the state-owned Corvinus Holding jointly acquired the Hungarian branch of Vodafone for EUR 1.7 billion. As a 'national champion,' 4iG has grown within a few years to become the second largest telecoms provider in Hungary, thanks to state support and the significant restriction of competition in this sector.[72]

Taken together, the frequent use of ministerial authorisation and high intensity of intervention have four major consequences. First, they enable the rapid implementation of the nationalisation strategy through massive competition interventions, whereby firms are taken over by Hungarian entrepreneurs or the state. This is how the value of state-owned properties has increased by 52 percent from 2010 to 2020.[73] Control over strategically important sectors such as energy and media has a serious impact on public debate and democratic decision-making. Second, the heavy use of ministerial authorisations in certain branches leads to the isolation of Hungarian market segments from the rest of the European single market.[74] Without preferential treatment from the state, it is unlikely that these branches and companies would be competitive on the European market, rendering them dependent on recurring state contracts and subsidies. Third, this preferential treatment promotes the formation of a clientelist economy by which political and economic elites can enrich themselves personally. Fourth, repeated ministerial authorisations also increase legal uncertainty for both domestic and foreign companies. For a start, there are no means to challenge these regulations in court. Moreover, the usage of ministerial decrees is clearly less predictable and less transparent for market actors than a structured review of mergers by the competent competition authority. To make matters worse, parliamentary oversight and control over the activities of the GVH has further decreased since 2012, when plenary debates were transferred to the Economic Affairs Committee.[75]

70 Mérték Media Monitor (2019): Fidesz-friendly media dominate everywhere, https://mertek.eu/en/2019/05/02/fidesz-friendly-media-dominate-everywhere/ (24.05.2024).

71 Cseres (2022a), p. 17.

72 The Good Lobby Profs (2022): TGL Profs urge DG Competition to review acquisition of Vodafone Hungary, https://www.thegoodlobby.eu/good-lobby-profs-urge-review-of-vodafone-acquisition/ (27.05.2024). pp. 9-10.

73 Csaba Moldicz (2021): Hungary economy briefing: State-owned enterprises in Hungary, in: China-CEE Institute Weekly Briefing 37 (2), pp. 1-4.

74 Cseres (2022a), p. 13.

75 Cseres (2019c): The Implementation of the ECN+ Directive in Hungary and Lessons Beyond, in: Yearbook of Antitrust and Regulatory Studies 2019, pp. 55-90, p. 82-83.

4.2. De facto discrimination against foreign companies

The second characteristic of illiberal economic policies in Hungary is the group of measures that comply de jure with the ban on discrimination within the EU single market, but which de facto disadvantage foreign market actors. These include small-scale regulations and, in particular, sector-specific taxes, which the Hungarian government implements extensively by decree in the financial, energy, and building materials sectors, as well as in retail trade.[76]

The banking sector was the first area in which the government started intensive intervention. Special taxes on turnover and transactions, the fixing of exchange rates, or interventions in existing contracts placed systematic pressure on foreign banks.[77] As a result, within five years, the ownership structure in the financial sector had been fundamentally reversed: when the Fidesz-led government took office in 2010, almost 80 percent of the Hungarian financial sector was still owned by foreign banks, especially German and Austrian ones. Just five years later, the ratio had been reversed, with Hungarian banks holding a 60 percent share.[78]

In the retail sector, special taxes are combined with building regulations or mandatory discounts so that foreign companies are de facto discriminated against. Since 2012, the 'Plaza-Stop' law has prohibited the new openings, conversions, extensions, or changes of function to existing large retail spaces; any exceptions can only be granted by the authorities. Due to the turnover limits, these regulations only apply to internationally active retail companies. Exemptions are almost never granted, even though Hungarian competitors can obtain such exemptions without any problems. Although the exemption conditions were clarified following infringement proceedings by the Commission in 2015, they are still often applied in a discriminatory manner.

Since the start of the Covid-19 pandemic, the government's focus in the retail sector has been to pass on the effects of inflation onto foreign companies, rather than driving them out of the market. 2020 saw the introduction of a progressive special tax, currently at 4.5 percent, which is linked to an assessment of turnover exceeding HUF 100 billion, and which thus only affects foreign retail chains. Moreover, given that food prices have risen due to Russia's war of aggression against Ukraine, Prime Minister Orbán has accused multinational corporations of implementing war-related price rises in certain areas as a means to commit blatant price speculation and work in tandem with the 'Brussels bureaucrats.'[79] In April 2024 and with the support of the Austrian government, the Spar group lodged a complaint about this special tax with the European Commission.[80] In addition, due to high inflation, the Hungarian government introduced mandatory discounts and fixed prices in 2023, leading to massive losses for retailers. Non-compliance with this regulation is subject to severe penalties,

76 Deutsch-Ungarische Industrie- und Handelskammer (2024b): Informationen zu sektoralen Sondersteuern in Ungarn, https://www.ahkungarn.hu/filehub/deliverFile/283e63f9-38e8-4fe5-94f2-3d2d2e47e264/1704406/Sondersteuern%202022_1704406.pdf (16.06.2024).

77 For more detail see for example Küpper (2021), pp. 179-184.

78 Szanyi (2016), p. 14.

79 Viktor Orbán (2023b): Protecting Jobs, Cutting Inflation and Raising Wages are the Top Priorities, https://miniszterelnok.hu/en/protecting-jobs-cutting-inflation-and-raising-wages-are-the-top-priorities/ (30.05.2024).

80 Janine Hofmann (2024): Spar Österreich schützt Eigentum vor Orbáns Zugriff, in: Lebensmittel Zeitung, 15.03.2024.

but it is mainly the foreign market players who are monitored. Some of these restrictions were announced to be lifted in the second half of 2024.[81]

These special taxes represent a financial burden for firms that can have a significant impact on turnover, depending on the size of the company. Companies also regard the special taxes as a sign of a confrontational attitude on the part of the Hungarian government, which is further reinforced by disadvantageous granting of building permits or one-sided regulation checks. While one law may have only a minor impact, taken together, several measures can significantly worsen the market environment for affected companies and thus reduce their willingness to invest.

While the existing market interventions have already had far-reaching consequences for companies, a number of unimplemented legislative proposals also underline the willingness to impose target regulatory burdens on foreign firms. In conjunction with sector-specific special taxes, a 2016 draft law would have allowed the GVH to liquidate companies with a minimum turnover of HUF 50 million if they had not made a profit. A similar draft based on the German model triggered concern in spring 2024: this would have allowed the GVH to break up companies based on economic performance criteria rather than a specific breach of the law.[82] This would have threatened foreign companies particularly, due to their large market share in certain sectors. Following intensive consultations with companies, associations, and politicians, the Hungarian authorities chose not to implement their plans. The design of both these planned measures would have de facto only affected foreign companies.

It should be noted that such regulatory interventions have generated a protection gap in the single market, which in turn impacts the security of investments. First, the Hungarian government can introduce special taxes and further regulatory interventions using its parliamentary majority, but in particular through government decrees. In the event of companies protesting strongly, or legal defeats, the government can amend or abandon the relevant regulations with immediate effect, and without deviating from its integrated strategy. Second, the prospect of lengthy proceedings before national or European courts can deter companies from taking legal action against such measures. Third, although companies have confidence in the lower courts of the Hungarian legal system, they regard the higher courts as politicized, which can further restrict the willingness of affected companies to launch legal action. Fourth, the Hungarian government often refers to the ECJ when applying special taxes. The ECJ has ruled that special taxes that effectively impact primarily foreign companies are not necessarily contrary to EU law, since the effective tax burden only reflects the affected companies' market dominance.[83] These circumstances lead to a de facto weakening of companies' security and willingness to invest in the EU single market, both in the relevant sectors in Hungary and beyond.

81 Országos Sajtószolgálat (2024): A Nemzetgazdasági Minisztérium közleménye (1. rész), http://os.mti.hu/hirek/186660/a_nemzetgazdasagi_miniszterium_kozlemenye-1_resz (26.06.2024).

82 Alba Ribera Martínez (2024): The DMA on Steroids: The Hungarian Government's Approach to Undertakings of Fundamental Importance, in: Kluwer Competition Law Blog, 17.04.2024.

83 Europäischer Gerichtshof (2020): Urteil des Gerichtshofs vom 3. März 2020, Rechtssache C75/18, ECLI:EU:C:2020:139.

4.3. Public procurement

In addition to the instrumentalization of competition law and the de facto discrimination against foreign companies, public procurement practice reflects another illiberal economic policy that enables governmental market interference. Preferential treatment of certain national companies can lead to the formation of award cartels, which systematically undermine national and European procurement law, anti-corruption regulations, and the ban on discrimination within the single market.[84] Both national and European public procurement law are therefore of great importance in the single market in order to maintain conditions for fair competition on the one hand, and to prevent corruption and abuse of power on the other.

With regard to Hungary, the unusually high number of public procurement procedures concluded with only one bid (single bidding) had already attracted the attention of the European Commission in 2015, which identified the Hungarian single bidding rate as one of the highest in Europe.[85] Corruption research considers this an important indicator of the risk of corruption.[86] First, single-bid tenders can indicate that the tender was tailor-made with one company in mind or even written by the company itself so that it is awarded the contract. Second, such tenders can also suggest possible collusion between companies, who make alternating bids in the tendering process and thus restrict competition. Third, single bidding may also indicate the withdrawal of tenders under political pressure or in exchange for a future advantage. Withdrawals may result in increasing costs of public projects if the only remaining bid is the most expensive one and thus benefits preferential companies.[87] However, it should be recalled that the risk of corruption depends on the specific procurement procedure. Single-bid tenders do not necessarily indicate manipulation, but may also arise from highly specialised requirements in complex procedures.

84 Maciej Bernatt/Alison Jones (2022): Populism and public procurement: an EU response to increased corruption and collusion risks in Hungary and Poland, in: Yearbook of European Law 41 (2022), pp. 11-47, p. 25.

85 European Commission (2015): Public procurement – Study on administrative capacity in the EU, Hungary Country Profile, https://ec.europa.eu/regional_policy/sources/policy/how/improving-investment/public-procurement/study/country_profile/hu.pdf (02.06.2024).

86 Mihály Fazekas (2019): Single Bidding and non-competitive Tendering Procedures in EU Co-funded Projects. Report prepared for the European Commission (DG REGIO), https://ec.europa.eu/regional_policy/en/information/publications/reports/2019/single-bidding-and-non-competitive-tendering (17.06.2024), p. 21; László Kállay (2015): The Corruption Risks of EU Funds in Hungary. Transparency International Hungary Project Report, pp. 34-35.

87 Transparency International Hungary (2016): Public Procurement Corruption, https://transparency.hu/wp-content/uploads/2016/02/Public-Procurement-Corruption.pdf (14.06.2024).

The increasingly frequent use of single bidding can be demonstrated with reference to German participants in Hungarian public procurement procedures. This study analysed publicly available data from the electronic public procurement register, including information on the German winners of 370 public procurement tenders between January 2014 and October 2023. These tenders included procedures paid out of the domestic budget as well as projects funded by EU funds, which must therefore be publicly reported at the European level once a certain contract volume has been reached.

The analysis shows that between 2014 and 2023, almost two-thirds of the procedures in which German firms participated were concluded with a single bid (see Figure 2). Around 25 percent of the tenders received two bids, while only 11 percent involved at least three bids. Tenders with two bids run the risk that applicants may collude unfairly, or submit a false bid in order to conceal the frequency of single-bid tenders.[88] It can thus be concluded that public tender competition for German companies is restricted in Hungary.

88 Transparency International Hungary (2016).

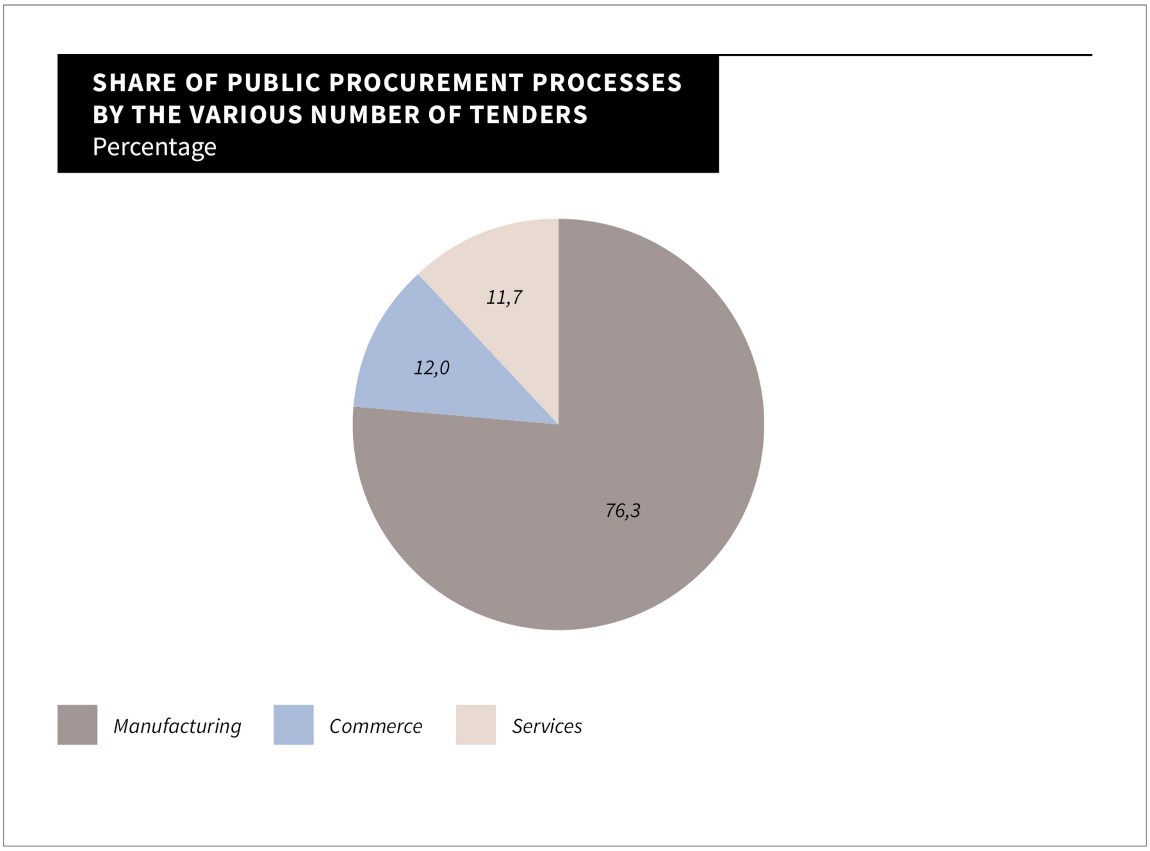

Figure 2: Share of public procurement processes by the various number of tenders (percentage).[89]

The lack of competition in Hungarian public procurement is one of the major factors behind the application of the Conditionality Regulation against Hungary. In 2022, the Council of the European Union identified 'serious systemic irregularities, deficiencies, and weaknesses in public procurement procedures'[90] as well as growing marking concentration and deficiencies in the prosecution of corruption cases.[91] In 2021, Hungary was ranked fifth in the EU in terms of single-bidding procedure frequency.[92] In response, Budapest proposed measures to reduce such procedures as well as a monitoring instrument, among other things.[93] However, the tenders with

89 Own compilation.

90 Council of the European Union (2022), Randnummer 11.

91 Council of the European Union (2022), Randnummer 12.

92 European Court of Auditors (2023): Special Report 28/2023: Public procurement in the EU – Less competition for contracts awarded for works, goods and services in the 10 years up to 2021, https://www.eca.europa.eu/en/publications?ref=SR-2023-28 (18.06.2024.), p. 20.

93 European Court of Auditors (2024): Special Report 03/2024: Special report 03/2024: The rule of law in the EU – An improved framework to protect the EU's financial interests, but risks remain, https://www.eca.europa.eu/en/publications?ref=SR-2024-03 (18.06.2024), p. 64.

only German winners reveal an increase in single bidding since 2022, while at the same time, tenders with more than two bids have decreased (Figure 3). In this period, tenders mainly concerned extensive rail transport projects and highly specialised technological equipment and machinery, for which a sole bid is more likely. These developments run counter to efforts to increase transparency and competition in the Hungarian procurement system.

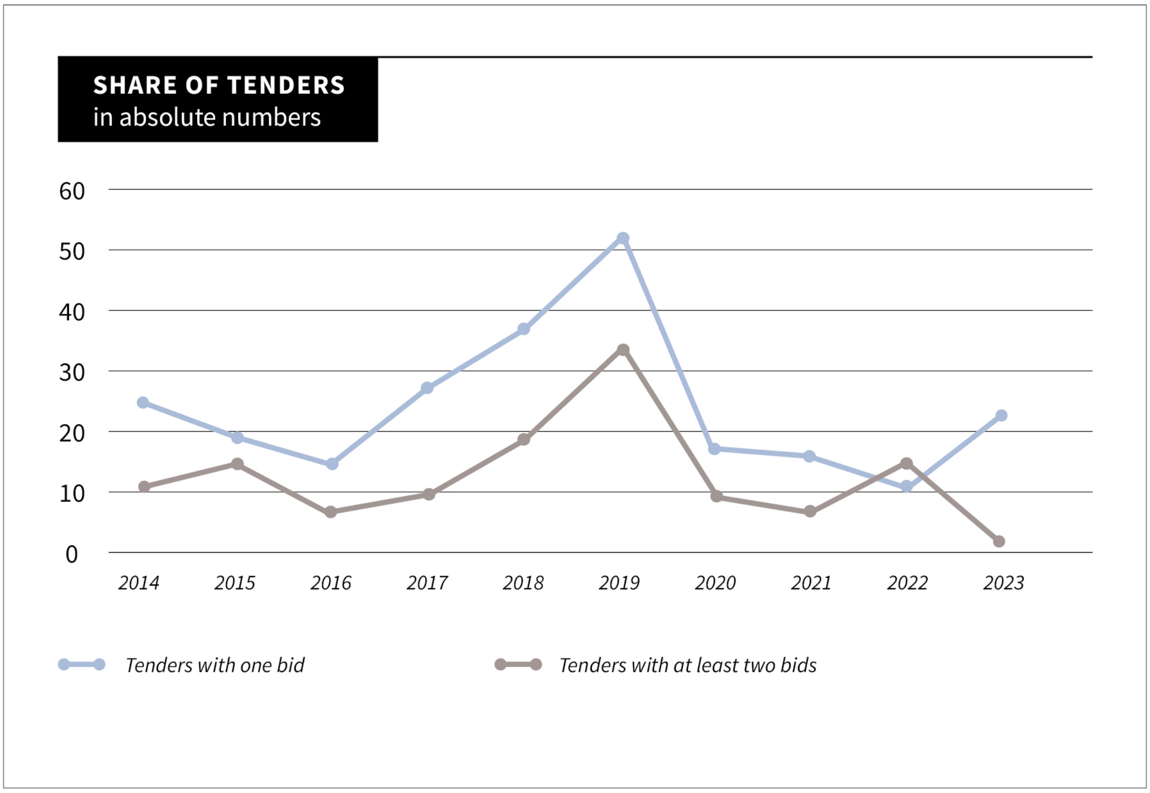

Figure 3: Tenders with one or at least two bids over time.[94]

Notwithstanding the commitments to reform, the increase in single-bid tenders in the dataset is also reflected in other studies on corruption risks. Studies carried out by the Corruption Research Center Budapest show that the corruption risk for EU funds is falling below the European target value (the green line), and particularly in relation to government-aligned firms (see Figure 4). On the other hand, since the introduction of the Conditionality Regulation, a significant increase has been observed in the risk of corruption concerning projects financed from the Hungarian state budget. As a result, the risk of corruption has shifted from EU-funded projects to those financed from the national budget.

94 Own compilation.

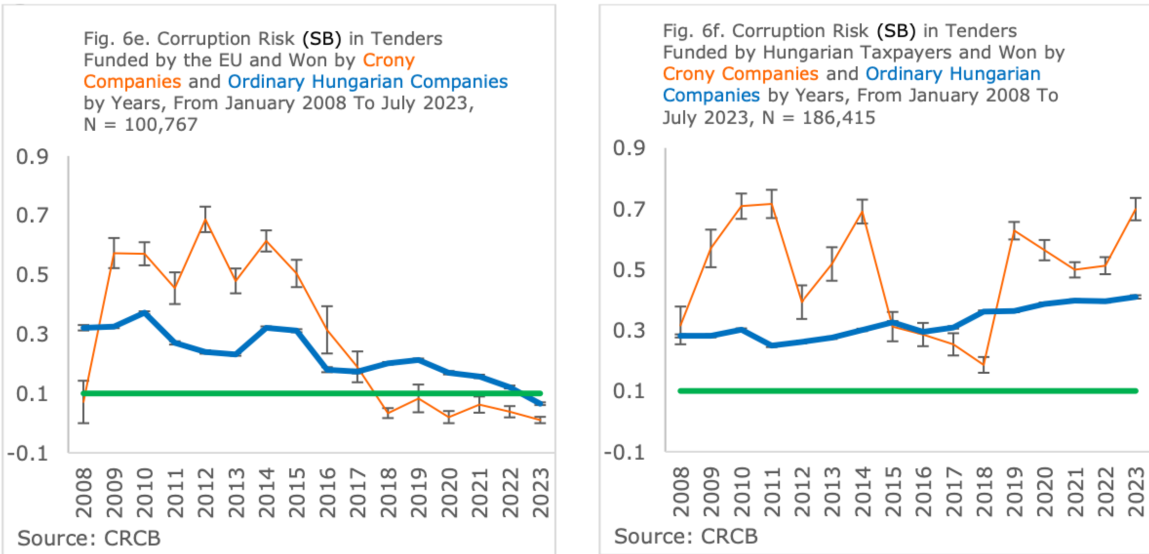

Figure 4: Comparison of corruption risk in EU-funded and Hungarian state-funded projects.[95]

Overall, these analyses indicate that the Hungarian government's anti-corruption measures are being used selectively to make sure that EU funds are released. In this regard, it is possible to speak of fake compliance[96] with European legal requirements. Systemic risks in the Hungarian public procurement system also affect German companies, which can either benefit or be adversely affected by the lack of competition.

On balance therefore, the outcome of financial conditionality measures to combat corruption is mixed. Although the risk of embezzlement has been reduced, existing conditionality measures are unable to adequately address systemic corruption in the state-market relationship in Hungary, or to initiate substantial change to reduce the risk of corruption. The main losers in these public procurement distortions are Hungarian taxpayers.

95 Corruption Research Center Budapest (2023): Fourteen Graphs and Two Tables on the New Trends of Corruption Risk in the Hungarian Public Procurement 2005-2022. CRCB Statistical Quick Report: 2023:1.

96 Petra Bárd et al. (2022): Tactics Against Criticism of Autocratization – The Hungarian Government and the EU's Prolonged Toleration, MTA Law Working Papers 2022/5, p. 8.

5. Evaluation and Outlook

This study shows that political illiberalism in Hungary – which leads to a dismantling of constitutional principles – is inextricably linked to a strong form of etatism. The government's goal of preserving and strengthening national sovereignty can only be achieved by massive market interventions in selected areas. In these strategically important sectors, free competition is systematically restricted for the benefit of clientelist networks. At the same time, export-oriented international companies are of fundamental importance for Hungary's macroeconomic stability, and thus they are offered privileged partnerships and investment incentives. Economic policy therefore contains a mixture of ideological and rational elements.

Three different types of illiberal economic policy can be distinguished which enable restrictions on competition. First, strong interventions are made in competition law – in particular through the extensive use of governmental decrees – and the powers of oversight authorities such as the GVH are curtailed. Second, governmental decrees are further used to exert pressure on specific sectors through special taxes or high levels of regulation. This policy affects primarily foreign companies who are forced out of the market, or whose profits are siphoned off. Third, the illiberal awarding of public contracts undermines or violates both Hungarian and European procurement law by rewarding companies close to the government.

Illiberal economic policy is made possible by the extensive concentration of power that the Fidesz-led government has pushed ahead since 2010. It allows the government to systematically dismantle social institutions that are supposed to support political and economic competition. This 'autocratic legalism'[97] undermines fundamental procedural principles of the rule of law, such as legal security, clarity, and equality, as well as transparency or predictability of legislation.[98] At the same time, the erosion of competition law provisions and the undermining of market economy institutions lead to a further concentration of executive political power.[99] The dismantling of not only political but also economic competition therefore stabilizes the existing political setup. As a result, Hungary can be said to have abandoned the concept of the liberal competitive state through the systematic weakening and even destruction of political, economic, and social institutions.[100]

German companies and firms from other European countries are affected differently by this rule of law regression. On the one hand, corporations that have concluded strategic partnership agreements with the government profit from tax breaks and good access to political decision-makers. Such attractive business conditions for the majority of German companies mean that they condone the illiberal measures in other sectors. This hinders the formation of cross-sector solidarity with firms that are affected by the government's market interventions. Among companies enjoying preferential treatment, as long as their business environment remains favourable, there is barely any alertness of the fundamental challenge caused by the dismantling of rule of law structures and the usage of illiberal competition interventions.

97 Kim L. Scheppele (2018): Autocratic Legalism, in: University of Chicago Law Review 85 (2), pp. 545-583.

98 Viktor Z. Kazai (2024): Autocratic (Il)legalism, in: Verfassungsblog, 21.02.2024.

99 Andrea Éltető/József Péter Martin (2024): Captured institutions and permeated business – the longevity of Hungarian autocracy, in: Post-Communist Economies 36 (4), pp. 482-505.

100 Szanyi (2019b), p. 6.

On the other hand, rule of law regression confronts companies in strategic sectors with extensive market interventions. First, companies must deal with the fact that illiberal interventions often do not represent an open breach of the law but have become the letter of the law. The Hungarian government goes to great lengths to pursue its objectives in conformity with EU single market law. Discrimination against foreign companies thus often occurs not through the design of the laws themselves, but through their one-sided application or checks, which companies find difficult to prove. Affected companies therefore undertake clear impact assessments to determine whether lengthy and expensive legal disputes are worthwhile, or whether it is more effective for them to comply with the new legislation. Such considerations reflect a lack of effective legal protection. Moreover, the government's institutional concentration of power allows it to legislate quickly so that contested regulations can quickly be amended. From a business perspective, this leads to a lack of predictability, transparency, and legal and investment security.

In summary, there is an observable division between protected and disadvantaged German firms in Hungary, which must either adapt to the political and economic circumstances, or actively counter the market interventions through stronger lobbying. This division leads to a strategic weakness in German foreign trade policy that prevents a more robust approach to address the existing economic policy challenges. According to their business logic, affected companies will only become more active in the face of regulatory challenges when their activities are substantially threatened. As long as they are not affected by such measures, there is no solidarity with other companies. In addition, an 'every man for himself'[101] logic makes it difficult for economic players to effectively coordinate their interests. Furthermore, there is hardly any coordination with companies from other EU member states who face similar challenges.

As a result, Hungarian rule of law regression as a result of illiberal economic policy leads to what may be termed a 'double coordination trap.' On the one hand, standard business logic prevents cross-industry coordination between companies reacting to illiberal measures. On the other, companies and political decision-makers have conflicting goals. Companies want to avoid politicising their business activities, yet also seek political support when they face restrictions. For their part, politicians want tangible 'evidence' in order to take stronger steps against Hungary's illiberal policies, yet this is not available due to the lack of legal enforcement. German companies and political actors do have influence in Hungary, given that they have managed to prevent the introduction of certain measures in the past. Nevertheless, the double coordination trap means that German actors' potential to address challenges in dialogue with the Hungarian side is not fully exploited. Even so, the scope of German influence is limited and not in a position to fundamentally prevent illiberal developments in Hungarian economic policy.

To resolve this double coordination trap, a definition of shared interests of both companies and political actors is needed. Their main interest is the integrity of the single market, which combines economic and political priorities. Two factors offer future potential for a better coordinated approach.

101 Interview 1.

From the business perspective, the ECJ's Achmea judgment in 2018 returned the rule of law as a relevant factor by establishing that arbitration clauses in investment agreements between EU member states violate the treaties. As a result, all bilateral agreements between member states that contained such clauses were deemed to be in breach of EU law, and were terminated in 2020.[102] According to the ruling, all investment disputes between member states must now be brought before EU courts.[103] However, where the independence of the judiciary is compromised, this can lead to a protection gap for investors.[104] Prior to Achmea, companies were still able to rely on the functionality of specialised arbitration courts. Now, however, they face a much starker confrontation with rule of law deficiencies and encroachments on judicial independence. This increases companies' readiness to stand up for intact rule of law structures.

From a political perspective, it is evident that existing EU instruments have thus far barely been able to address the effects of rule of law regression on companies. At present, budgetary instruments designed to protect the EU budget from rule of law violations remain quite separate from single market instruments. Although financial conditionality is helping to obstruct the misappropriation of EU funds, Hungarian state-sponsored corruption is shifting largely to the domestic level, beyond the influence of the EU. A suitable counter-strategy may be the use of synergy effects between the rule of law and single market with a strong focus on competition law, where the Commission has extensive powers. In particular, the practice of appointing new staff to or simply bypassing central authorities is relevant to the single market if the national competition authorities' lack of independence damages mutual trust in the enforcement of European competition law.[105] In sum, the integrity of the single market as a shared priority enables business and political actors to take a stronger common approach in safeguarding the entire Acquis communautaire.

This is all the more important because the political and economic differences between Hungary and the EU are expected to intensify in the future, for two main reasons. First, the Hungarian economy has been in turmoil in the last years due to currency fluctuations and economic downturn. Additionally, the lack of access to frozen EU funds, which accounted for almost 5 percent of GDP in 2023,[106] is observable. Their absence negatively impacts the practice of awarding public tenders to favoured companies which, due to a lack of competitiveness, are dependent on new government contracts. As a result, some of the missing funds have been appropriated from the state maintenance budget, in turn placing an additional burden on the budget. In sum, the increased intensity of governmental market interventions has clearly illustrated the country's economic vulnerability.
Second, not only is the Hungarian government attempting to secure the release of EU funds, it is also tapping into new income sources as part of its stated efforts to achieve national sovereignty. Hungary's 'Eastern ope-

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102 Kingdom of Belgium et al. (2020): Agreement for the termination of Bilateral Investment Treaties between the Member States of the European Union, in: Amtsblatt der EU L 169/1.

103 European Court of Justice (2018); Steffen Hindelang et al. (2023): Achmea Goes to Washington, in: Verfassungsblog, 19.04.2023.

104 Dimitry Kochenov/Nikos Lavranos (2022): Achmea versus the Rule of Law: CJEU's Dogmatic Dismissal of Investors' Rights in Backsliding Member States of the European Union, in: Hague Journal on the Rule Law 14, pp. 195–219.

105 Cseres (2019c), p. 87.

106 Thu Ngyuen (2024): Das Ungarn-Problem der EU, in: Internationale Politik 73 (2), pp. 88-93.

ning' policy towards Asia should also be understood as a diversification strategy, with the goal of becoming more independent in the long term from the financial conditionality of EU funds. Yet the drawback of Hungary's GDP-based growth model is that stronger national sovereignty is difficult to achieve. Instead of gaining more sovereignty, there is a long-term threat that dependence on Western companies will simply be replaced by dependence on strategic rivals from China or Russia.[107] This could undermine the EU's geopolitical interests and further increase isolation within the EU.[108]

As a result, it is unlikely that Hungary's political isolation within the EU will diminish any time soon. The Hungarian government's stated foreign and economic policy aspirations will continue to create the potential for conflict. This is strongly supported by Orbán's 'peace mission' which he launched after Hungary took over the rotating presidency of the Council in July 2024, and which provoked unprecedented criticism from other member states.[109] European and German actors therefore need a long-term strategic approach to deal with Hungary and potential imitators.

6. Policy Recommendations

The following recommendations address the challenges described above in both the short and long term to ensure that companies, the German government, and European institutions are able to sustain their ability to respond.

6.1. Use and expand the European Commission's existing competences

The European Commission has the most far-reaching authority to implement competition law and to protect single market freedoms.[110] In future, it should pay more attention to the political dimension of competition restrictions in member states when enforcing competition law. Five concrete measures can contribute to this. First, closer monitoring of the independence of national competition authorities is required, as they play a fundamental role in safeguarding free competition in the single market within the framework of the European Competition Network (ECN). The Hungarian government's systematic circumvention of the GVH by means of ministerial decrees as well as new appointments raises serious doubts as to whether this authority can fulfil its responsibilities under EU competition law. This view is supported by the ECJ's ruling in the Sped-Pro case, which underscored the importance of the rule of law and mutual trust for cooperation between member

107 Ilona Gizińska/Paulina Uznańska (2024): China's European bridgehead. Hungary's dangerous relationship with Beijing, in: OSW Commentary 590; Budapest Times (2024): National Economy Minister: Hungary rejects 'brutal EU tariffs' on Chinese EV makers, 12.06.2024.

108 Camille Gijs/Barbara Moens (2024): Belgian EU presidency urges governments to move toward muzzling Hungary, in: Politico, 02.06.2024.

109 Barbara Moens (2024): EU fumes at rogue Orbán, but struggles to rein him in, in: Politico, 11.07.2024.

110 Cseres 2022a, p. 8.

states, and emphasised the independence of national authorities such as courts or competition authorities.[111] This requires the European Commission to take greater account of the rule of law and independence of institutions when deciding whether to intervene in national competition law cases.[112] The Commission should use the ruling's reinforcement of its mandate. In order to safeguard free and fair competition in both the single market as well as in domestic markets, the Commission should monitor more closely the use of government decrees legalising mergers and acquisitions – neither of which are currently constrained by Hungarian law – in terms of their impact on competition and the rule of law.[113]

Second, greater attention must be paid to the institutional independence of competent public procurement authorities. In his report on the single market, Enrico Letta warns that the reasons behind reduced competition in European procurement tenders must be addressed and that the Commission needs stronger monitoring instruments.[114] In Hungary, the transfer of corruption risk from EU funds to the national budget has effectively been removed from the reach of the Conditionality Regulation. This shortcoming can be addressed by the application of competition law in public procurement, in which the Commission must also intensify its focus on the independence of the responsible authorities. In the event of repeated infringements of tendering directives, infringement procedures should be initiated. These can also be brought before the ECJ in order to address the systemic nature of procurement system distortions.

Third, and in accordance with its competition law powers, the Commission should make greater use of interim measures in infringement proceedings. The effect of infringement proceedings for competition distortion is often reduced due to their long duration, as subsequently identified market distortions have already had a negative impact on competition and consumers. Interim measures can protect the legal interests of affected parties prior to an ECJ ruling and – where necessary – impose financial penalties for non-compliance with interim measures and rulings.[115]

A fourth option is the broader institutionalisation of the SOLVIT system, through which companies can report complications with authorities out of court.[116] This measure could be flanked by the establishment of institutionally independent single market offices in the member states and at EU level in order to ensure better monitoring of member states' single market challenges. This could allow companies to report systematic problems without entering direct a legal dispute.

111 European Court of Justice (2022): Judgement of 9 February 2022, Rechtssache T-791/19, ECLI:EU:T:2022:67, Randnummer 92.

112 Kati Cseres/Michael Borgers (2022): Mutual (Dis)trust, in: Verfassungsblog, 16.02.2022.

113 The Good Lobby Profs (2022), p. 4.

114 Letta (2024), p. 45.

115 Bernatt/Jones (2022), p. 40.

116 European Commission (2024a; Letta (2024), p. 127.

Fifth, the new legislative period of the European Parliament and European Commission after the 2024 European elections should be used to further expand the rule of law instruments.[117] In view of the growing electoral success enjoyed by right-wing populist parties, the extension of financial conditionality to further EU funds is crucial to protect the Union's financial interests from misappropriation. Moreover, the European Commission's new term should primarily be used to improve coordination between the responsible Directorates-General for Justice and Consumers (DG JUST), Competition (DG COMP), and the Internal Market, Industry, Entrepreneurship and SMEs (DG GROW). A separate portfolio for the rule of law in the new Commission could assume a coordinating function between the Directorates-General, and anchor the rule of law as a universal cross-cutting issue in the Commission's work.

6.2. Strengthen investment protection in the European Union

The ECJ's Achmea judgment has led to a legal gap which, from a business perspective, could be closed using both 'soft law' instruments as well as stronger measures. One suitable soft law instrument is the annual Rule of Law Report.[118] Since 2024, it also includes information on investment security, legal certainty, and the operation of business in the single market.[119] The Report should continue to monitor synergies between the rule of law and the functioning of the single market – especially concerning the use of government decrees and the quality of law-making. By doing so, the Report will be useful to identify not only political but also economic challenges caused by illiberal practices.

A far stronger instrument would be the establishment of a specialist investment protection court at the General Court of the EU. According to Article 257 TFEU, the European and Parliament and the Council may, over the course of ordinary legislative procedure, decide to establish specialist courts in specific areas. In 2004, a specialist course for the EU civil service was established on the basis of this treaty article, but it was dissolved in 2016 as part of the European court system reforms. A specialist court could process complex investment matters in accordance with EU law and help close the gap created by Achmea. Both the German government and German MEPs can advocate for the establishment of such a court, and include large, medium-sized, and small companies in the process.

6.3. Institutionalize coordination between companies and politics in Germany

Economic cooperation between Germany and Hungary remains intensive and extremely important for both countries. German companies enjoy close channels of communication with the Hungarian authorities and, under certain conditions, they also have influence that should not be underestimated in addressing problems. Both German companies and political actors share a fundamental interest in the preservation of judicial independence, functioning competition in national markets, and the single market as whole, as well as the proper use of state subsidies. This interest should be used as a foundation on which to expand exchange formats

117 Maria Skóra/York Albrecht (2024): RESILIO Toolbox, Institute for European Policy, Berlin, https://iep-berlin.de/site/assets/files/3756/iep_resilio_toolbox_final.pdf (24.06.2024).

118 Austrian Chamber of Commerce (2023): Positionspapier Rechtsstaatlichkeit in der EU, July 2023.

119 European Commission (2024c.

between companies, politicians, and civil servants. In coordination with the Federal Foreign Office, the Federal Ministry for Economic Affairs and Climate Protection should institutionalise cross-industry discussion groups on investment security, the rule of law, and market interventions. These groups should primarily bring together large corporations and SMEs in order to promote a mutual understanding of market potential and challenges. The federal states in particular – which maintain close contact with domestic companies – can also contribute to this discussion process. Local business associations should also be involved in order to include the perspectives of small and medium-sized companies, which have fewer political contacts than the large corporations. Moreover, given the increase in protectionist and illiberal economic policies in the EU, the focus should be broadened beyond Hungary.

In addition, the federal ministries should also contribute to establishing similar formats at the EU level. Illiberal economic policies can be observed not only in Hungary, but also in other countries, and also impact companies from other European states. Increased intergovernmental cooperation can help identify problems at an early state and show unity against an illiberal government.

6.4. Maintain bilateral German-Hungarian dialogue

Political tensions in bilateral German-Hungarian relations have led to a reduction in political and civil society contacts. In view of the close relations between the two countries and the mutual interest in functioning economic relations, the federal government should work to facilitate mutual exchange and dialogue on political and economic matters in a constructive yet critical manner. In addition to top-level discussions of the Federal Government, the 16 federal states of Germany (Länder) can also play an important role by supporting political, economic, and civil society dialogues at the regional and local levels. The federal government should continue to organise high-ranking discussion formats, also including companies and associations. Political and economic challenges are not solved by breaking off contacts. With its focus on competitiveness and the single market, the Hungarian Council Presidency from July 2024 offers an ideal platform for dialogue with the Hungarian government together with other member states.[120]

6.5. Promote socio-economic convergence in Europe

The Hungarian economic policy strategy of nationalisation addresses one serious challenge: the strong dominance of Western companies in many Central and East European economies. These companies clearly profit more from the single market as they have been able to outsource production processes to lower-wage countries. In addition, the migration of skilled workers to Western Europe is contributing to a demographic challenge. Illiberal economic policies thus also reflect the economic inequality within the EU and the failure to expand the socio-political dimension of the single market. It must not be allowed to undermine social security, working conditions, and the welfare state. In the 20 years since the EU's eastward enlargement, the states of Central Europe have experienced enormous economic development. Nevertheless, in 2021, these countries' per

120 Hungarian Council Presidency (2024): Programme of the Hungarian Presidency of the Council of the European Union in the Second Half of 2024, https://hungarian-presidency.consilium.europa.eu/en/programme/programme/ (24.06.2024).

capita GDP still lagged around 20 percent below the EU average.[121] Economic and political illiberalism should therefore be understood as a reaction to economic inequalities within the EU, which must not be neglected but addressed. A single market without a proper social policy component undermines the legitimacy of the European integration process in the long term.

121 European Commission (2024d): Ninth report on economic, social and territorial cohesion, https://ec.europa.eu/regional_policy/information-sources/cohesion-report_en (10.06.2024), p. 4.

Annex

Guided Interview questionnaire

1. Thematic section: Location factors for companies

1.1. What criteria are generally relevant for your company when choosing a location?
- 1.1.1. What role does the availability of skilled workers play?
- 1.1.2. What role does proximity to supplies play?
- 1.1.3. What role does access to certain raw materials play?
- 1.1.4. What role do the regulatory environment and incentives for investors play?
- 1.1.5. What role does cooperation with the authorities play?
- 1.1.6. What role does the independence of the judiciary play?

1.2. How do you rate the above-mentioned location factors for companies specifically in Hungary?
- 1.2.1. What makes the location attractive for companies?
- 1.2.2. How do you assess the conditions for foreign investors in Hungary?
- 1.2.3. How do you rate incentives specifically for German investors?

2. Thematic section: Experiences in Hungary

2.1. What is your company's or your personal experience of Hungary?

2.2. How are communications between your organisation and the Hungarian authorities?

2.3. Please give an insight into the current mood relating to Hungary. What experiences does your company report from Hungary?
- 2.3.1. To what extent has the mood changed over time? (improvement, deterioration…)
- 2.3.2. How you currently assess regulatory environment for your company in Hungary?
- 2.3.3. How do you assess investment security?
- 2.3.4. What challenges do you see in this area?
- 2.3.5. How do you assess cooperation with the authorities?
- 2.3.6. Do you see challenges in cooperation with the Hungarian authorities?

2.4. The Hungarian government's economic policy aims to nationalise certain sectors (banking, insurance, transport, telecommunications, construction, retail). How does this affect your company?
- 2.4.1. Do certain government measures affect the activities of your employers?
- 2.4.1.1. What is the cause of most problems for your company?
- 2.4.1.2. Are there any specific institutions that cause particular problems?
- 2.4.2. Which strategies has your company introduced to counter government measures?
- 2.4.2.1. For example, has legal action been taken?
- 2.4.2.2. If yes, what sort? If not, why not?
- 2.4.2.3. How successful was that?
- 2.4.3. What impact did government measures have on your investment decisions or applications for public procurement tenders?

2.5. Rule of law conflict
   2.5.1. How is the rule of law conflict between Hungary and European institutions discussed at your company?
   2.5.2. What effects do you see on the single market?
   2.5.3. What rule of law deficits stand out for you in particular?
   2.5.4. Which differences from other (European) locations have you noticed?
   2.5.5. Have you noticed any changes over time?
   2.5.6. What challenges do you in cooperation with the Hungarian judiciary?
   2.5.7. How do you assess the independence of the Hungarian judiciary?

3. Thematic section: Company solidarity

3.1. In your experience, to what extent do affected companies in Hungary support each other?
   3.1.1. Do networks exist for the exchange of experiences?
   3.1.2. Do cross-sector networks exist to address problems with the Hungarian authorities?
   3.1.3. How effective are the existing networks?
   3.1.4. What prevents effective exchange between companies on the situation in Hungary?
   3.1.5. In your opinion, what is required for companies to network better?
3.2. To what extent to companies who are not affected support those who are?
3.3. In your experience, to what extent do political actors in Germany support affected companies?
   3.3.1. Do regular exchanges take place?
   3.3.2. At what level does networking take place (individual MPs, ministries, other actors)?
   3.3.3. If there is no support, what would you like to see?

4. Thematic section: Public procurement

4.1. Does your company have experience with public procurement in Hungary?
   4.1.1. Please describe your experience.
   4.1.2. How did the tender process work?
   4.1.3. What functioned particularly well in the tender process?
   4.1.4. How successful was your company in applying for public procurement tenders?
   4.1.5. How transparent was the tendering/award process?
4.2. Were there particular challenges in the award process?
   4.2.1. Did the process appear to be tailored to one particular bidder?
   4.2.2. Did the requested or approved costs appear unusually high?
   4.2.3. Did you have the impression that bids had an advantage where professional service providers were involved in the preparation?
   4.2.4. Did a positive decision sometimes depend on the involvement of another company?
   4.2.5. What role do insider knowledge and personal networks play in the awarding process?
   4.2.6. What role do own resources play?
4.3. Were you able to appeal against award decisions?
   4.3.1. If not, what prevented you from doing so?

5. Closing questions

5.1. How do you currently assess the future prospects of Hungary as a business location for German companies?
5.2. How do you assess the future of your work and your employer in Hungary?
5.3. Is there anything missing, or anything else you would like to mention?

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