



United States Department of State

*Assistant Secretary of State
for European and Eurasian Affairs*

Washington, D.C. 20520

December 9, 2015

The Honorable
Jeff Duncan
House of Representatives
Washington, DC 20515

Dear Mr. Duncan:

Thank you for the opportunity to testify before the House Foreign Affairs Committee on November 4. During the question-and-answer portion, you asked about Hungary. I would like to respond more fully in writing.

As you rightly stated, Hungary is a valuable ally of the United States. The strong bonds between our two nations are rooted in our joint membership in key transatlantic organizations like NATO and in our two peoples' shared commitment to the democratic foundations on which those organizations are based. Hungary has been a reliable security partner in Afghanistan, Iraq and beyond. Our law enforcement cooperation with Hungary has been strong, as are our economic ties and people-to-people exchanges.

Even the best of friends have differences. And when we do, we can and should speak openly to each other about them. As I said in the hearing, this has been the long-standing policy of the United States. Ambassador Bell's October 28 speech was fully in line with this approach. I am attaching the text of her speech. The Ambassador made clear in her speech, as have other U.S. officials over the last several years, that Hungary is a valued NATO ally. We cooperate closely with Hungary on addressing both regional and global challenges.

At the same time, being a member of NATO, the European Union, the Council of Europe, and the Organization for Security and Cooperation in Europe (OSCE) comes with obligations with regard to democratic standards. As we have witnessed steps that the Hungarian government has taken over the last five years to weaken checks and balances and undermine institutional independence, we have spoken out. For example, the Hungarian government used its two-thirds

super majority in parliament to push through legislative and constitutional changes that overly centralized executive power, weakened the judiciary, and dampened the investment climate. The government also undermined the independence of oversight institutions by restructuring and re-staffing them without consultation with the opposition or civil society.

Free, independent media and their unrivaled ability to shine a light on abuse of power are a key pillar of a functioning democracy. As the State Department noted in its Human Rights Report, Hungary's 2010 media laws restrict media freedom by increasing government influence over the media. Human rights organizations criticized the media laws. Since then, self-censorship seems to have become more widespread.

Starting in 2014, the government undertook a campaign, including police raids, against non-governmental organizations (NGOs) managing funds donated by Norway. President Obama cited this problem in remarks during the UN General Assembly in September 2014. The United States also raised this issue at the OSCE. We have urged Hungary to demonstrate its respect for civil society and free speech in this and other cases, not just with words but actions. In this context, Ambassador Bell's speech was entirely consistent with U.S. policy.

The United States has not been alone in expressing concerns. The situation in Hungary has set off alarm bells in various bodies, including the European Union, the Council of Europe, and the OSCE. In addition, independent organizations such as Transparency International and Amnesty International have criticized human rights backsliding in Hungary. Concerns about democracy in Hungary are shared by many Hungarians as well.

Regarding the refugee and migration crisis, we recognize the challenges that our European partners are facing, and while we agree that every country has the right to defend its borders, erecting barriers between EU members runs counter to the unified Europe that we are all seeking to build. In addition, as Ambassador Bell and other U.S. officials have emphasized, every country has an obligation to share in the responsibility for assisting refugees.

We will continue our cooperation with European partners on this issue, in particular to press for a comprehensive and coordinated solution that respects human rights and promotes orderly and compassionate border policies. We will also continue to urge the international community to increase contributions to UN

humanitarian appeals and to non-governmental organizations to address urgent needs.

The State Department and our embassy in Budapest will continue our forthright diplomatic dialogue with the Hungarian government, as well as our efforts to support Hungary's democratic institutions and civil society.

We hope this information is helpful. Please do not hesitate to contact us if we can be of further assistance on this or any other matter.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Victoria Nuland', with a long horizontal flourish extending to the right.

Victoria Nuland

cc: The Honorable Ed Royce, Chairman, Foreign Affairs Committee
The Honorable Eliot Engel, Ranking Member, Foreign Affairs Committee

Ambassador Bell Speech

"We Will Build a Stronger Bridge" – Remarks at Corvinus University

Budapest, October 28, 2015

Thank you very much Vice Rector Görög for the kind introduction and to Corvinus University, the organizer and host of this event. And to my diplomatic corps colleagues; representatives of the Government of Hungary; Corvinus administrators, academics, and students; business leaders; friends from the American Corner; ladies and gentlemen, thank you all for coming. I am honored to speak to you tonight in this university. I know Corvinus is one of the most respected universities in Hungary – named for the great statesman, Matthias Corvinus. He brought the Renaissance to Hungary, introducing the humanist values of modern thinkers to this medieval kingdom. It's fitting for us to gather here tonight in this university, to talk about the ideas and values that matter to us all, which are in many ways the legacy of Matthias Corvinus. I also know that, during the Soviet era, this university was called Karl Marx University and, today, it is one of Hungary's most prestigious centers of study on market-oriented economics. What a difference time makes! Your connection to the United States and your hospitality is crystal clear since Corvinus University hosts the only American Corner in Budapest, a center for cultural exchange where Hungarians, Americans, and international guests can have free and open conversations, the type of conversation I hope to have here tonight.

In two months, I will celebrate the one-year anniversary of my arrival to Hungary as U.S. Ambassador. I am here to tell you I love serving here and I enjoy every aspect of my job. Fostering the Hungary-U.S. relationship is not simply a professional duty, it is a personal mission. And it is important to me, to Secretary of State Kerry, and to President Obama that we make it work. Since my first day here, I have worked to make sure our lines of communication with the government and people of Hungary are open, and that I have a professional and productive working relationship with your leaders.

As I approach my one-year anniversary I have done a lot of thinking about where that relationship stands and I'd like to share some of those thoughts with you tonight. Looking at the broad scope of our engagement, I believe the state of U.S.-Hungarian relations is strong. We are partners, allies, and friends. I speak with you tonight in the spirit of cooperation and mutual respect. I speak tonight as a friend of Hungary.

Just outside the door from us is the Danube. Some of you crossed the river to come here tonight – I cross it every day to come to work at the U.S. Embassy. Last month, I crossed the Danube under very special circumstances. In September, Hungarian engineering units and American cavalry units worked together, side by side, to build a bridge across the Danube, to secure the bridge, and to cross it with a battalion of U.S. Stryker armored vehicles and Hungarian transport vehicles. Our military colleagues conducted this exercise with professionalism, confidence, and enthusiasm, doing what NATO allies do well: – building bridges – literally and figuratively.

Our cooperation on this crossing of the Danube was representative of our bilateral relationship. The "Dragoon Crossing" exercise would not have been possible without cooperation – Hungary possesses a military engineering capability that the U.S. does not in Europe, and the U.S. has cavalry capabilities that Hungary does not. In this way, the crossing was symbolic of our cooperation in so many areas. Hungary and the United States had the privilege that day - as we do in every joint exercise – to reflect on the purpose and benefits of NATO membership. But also, and much more importantly, we had the chance to work together to make those benefits tangible – to contribute directly to the alliance. NATO is stronger because of the bridges we built that day.

Here tonight, I'd like to recreate some of the spirit of the Danube Crossing. We will stand side by side, in the open air, on the banks of a great European river, and speak honestly as friends. And we will build a stronger bridge together; one that will endure for generations and that will make our children and grandchildren proud.

As I have said many times, our bilateral relationship has seen years of outstanding cooperation and collaboration in matters of security and defense. Hungary remains a strong NATO ally and partner. We are grateful for the Hungarian military's continuing presence in Afghanistan and the Balkans, its hosting of the Heavy Airlift Wing at Papa Air Base and the NATO Center of Excellence for Military Medicine here in Budapest, its active participation in air policing in the Baltics and over Slovenia, and its ongoing support in the fight against ISIL, among other contributions.

Hungary has also been a great partner in the fields of law enforcement and counterterrorism. For 20 years, Hungary has generously hosted here in Budapest the International Law Enforcement Academy – ILEA –, truly one of the best success stories of our bilateral cooperation. When terrorism and extremism around the world threatens the very foundations of our free and democratic societies, it is more important than ever that we work together—sharing information, best practices, and know-how. These efforts are another bridge between us – helping us better protect our citizens, and our neighbors, through a collective commitment to do what is right, together.

With respect to regional security, we recognize Hungary's efforts on behalf of your neighbor, Ukraine. For example, from the very beginning, Hungary has offered medical treatment for wounded Ukrainian soldiers, has given financial support to build up Ukrainian cyber defense capabilities, and has played a critical part in the OSCE mission in Ukraine. Hungary voted repeatedly for EU sanctions against Russia and has supported the EU consensus on the need for adherence to the Minsk process. We also welcome the Government of Hungary's decision to restore reverse-flow natural gas to Ukraine, ensuring that the people of Ukraine, in the midst of all the challenges they face, are not threatened with having no heat through the cold winter.

The United States is strongly committed to supporting Hungary's efforts to increase its energy security. Free, fair, and open markets, and a diversification of routes and sources are the best ways to achieve this goal – to level the playing field of the world's hydrocarbon

market, to ensure that countries that must import energy are not held politically or economically hostage over an issue that is so critical to the welfare of their people. An energy union could strengthen Europe's energy security by integrating national energy markets. It would reduce European energy demands through increased efficiencies. It could even "de-carbonize" the energy mix, and promote research and innovation.

The United States understands that Russia is an important energy supplier – it will continue to be important in the future. But Russia and all suppliers – including the United States, by the way – should compete at market rates, on market terms. No nation should be kept dangerously dependent on any single source for its energy needs.

We applaud Hungary for its focus on small infrastructure projects to reach its energy security goals – this is a pragmatic, pro-active step forward. We know the Government of Hungary's view that it is in your best interest to diversify and bolster energy independence and improve your negotiating power in the world market, and we will continue to support you in those efforts.

On the economic front, the United States is one of the largest foreign investors in Hungary and the biggest consumer of Hungarian goods outside the European Union. As many of you know, since 1989, over \$9 billion worth of U.S. investment has come to Hungary. The U.S. Department of Commerce trade figures for fiscal year 2014 show that our two-way trade was up 35%, with 7% growth in U.S. exports to Hungary, and 28% growth in Hungarian exports to the U.S. Total two-way trade is now over \$7 billion per year. This is quite impressive.

Investment and trade between the United States and Hungary mean jobs and economic development in both our countries. As with any successful long-term commitment, both sides must find that they are better off. There must be mutual prosperity for there to be sustainability.

These investments have shown that increasing our economic engagement provides clear benefits to both sides. And we can do more – our economies are still recovering from a global economic crisis, and this is a priority for all of us –that's why we are working hard together on the negotiations for a Transatlantic Trade and Investment Partnership agreement, among other initiatives. I've spoken about TTIP before, as many of you know, and I believe we are on the cusp of a new opportunity for economic growth for small- to medium-sized businesses on both sides of the Atlantic whose profitability is most impacted by the regulatory differences between us. And when small- and medium-sized businesses prosper, we all prosper – they are a bridge between the world commercial markets and the communities in which they live, work, and operate.

We also share an interest in improving the investment climate in Hungary. American investors I've spoken with are attracted to Hungary's high-quality infrastructure, its highly educated labor force, and its central location. But some tell me that significant obstacles to investment remain. Foreign direct investment in Hungary has not reached its full potential

in recent years. And some investors are concerned about stability in the tax and regulatory environment. I was in business for more than two decades, and I know from experience that the links between good governance and the prospects for economic growth are very clear. Companies will invest where there is transparency and predictability, where there are free, fair, and transparent market conditions. Investors must be able to predict regulatory and tax effects on their businesses. Otherwise, the costs of uncertainty will price many potential investors out of a market.

To maintain a bridge with solid foundations, we need to address the structural integrity of the bonds that link our two countries together and the shared values that undergird any strong democratic system.

I would like to set out for you U.S. concerns as we look at conditions in Hungary. These concerns should not come as a surprise to anyone, because they have been expressed many times – but it makes sense tonight to repeat what needs to be reaffirmed. Our policy has not changed. As a friend of Hungary, we have raised issues in the past, and we will do so today and into the future – in the same spirit – as friends and partners.

These concerns are shared by Hungarians across the political spectrum and a wide range of individuals. I know about these concerns because I make it a priority to listen. I listen to government officials across Hungary. I listen to politicians from across the spectrum. I listen to members of civil society. I listen to community leaders, to business people, to students and scholars, to law enforcement, to religious communities, to the military, and to other Hungarians. These concerns have been echoed by the European Union, the OSCE, international organizations, and groups who track levels of freedom and adherence to rule of law in countries around the world. You will hear all their voices, and perhaps your own, in my comments tonight.

We live in a better world today because 25 years ago, the nations of Central Europe chose the path toward a Europe whole, free, and at peace. This choice affected not only Hungary and the nations of Central Europe, but the whole transatlantic community and everyone else who is invested in our collective success. We understand that it is a path, and not a point: this was a choice to engage, to commit, to continue to work toward and to reinvest in the ideals we all share. Because there are people in this world, unfortunately, who do not share these values, and who do not believe that democratic principles are the best foundation for prosperity and peace. There are people who are threatened by our cohesion to support these values, and who respond by threatening us. We can never take for granted the responsibility we have to continue to fight for what we believe, because complacency is all that is necessary for those who wish to divide us to be successful. As we all know, all that is necessary for evil to triumph is that good men – and good women – do nothing.

I'm going to mention some examples of challenges we are facing. Some of the examples I am going to cite do not come from outside your borders – they come from within. But in every case, these concerns are connected to a bigger principle. A bigger ideal. And a bigger hope.

As Hungary just celebrated the anniversary of the 1956 revolution, we are reminded that we are all motivated by the promise of democratic ideals. In both Hungary and the United States, that means we must find inspiration in open debate, discussion, and through the process of examining differences of opinion. We must reanimate in alienated citizens a passion for democracy and the spirit to take part in it. We can relegate nationalist, intolerant rhetoric to the dust heap, where it belongs.

Hungary and the United States share hope. We have not sunk into apathy, we have not gone into self-exile, we have not conceded the conversation to the strident voices, we stand up against protectionist interests. We can do these things together.

But speaking for both the United States and Hungary, as maturing democracies, we should be candid about what stands in our way. And to borrow from Shakespeare, the biggest challenges are very often "not in our stars, but in ourselves."

Corruption stalls growth, stifles investment, denies people their dignity, and undermines national security. Corruption in Hungary is a serious concern – quite clearly a top concern of average Hungarians, as I have heard, and as public polls consistently show. Wherever systemic corruption has effectively undermined fair governance, it creates an environment ripe for civil unrest, resistance to the government, and even violent extremism.

How do we combat corruption? By reforming government procurement systems, by holding elected officials accountable, including requiring elected officials to disclose their assets. And by building trust with citizens by allowing open access to information that directly impacts them.

In this light, the global fight against corruption means we take seriously what Hungary and others in this region do to prosecute corruption – and what they do to hold officials accountable. The best way to restore public confidence in the rule of law, and to show that the playing field is level, is to publicize those prosecutions: the names, the crimes, the indictments, the dollar amounts seized, and the convictions and penalties.

Public knowledge would help build a bridge of trust with all citizens, across the political spectrum, from every walk of life. Just as it would change the game in the energy sector if members of the public could see the details of the Paks II nuclear deal. We look to the Hungarian government to increase transparency, starting with the details of this deal. A free, fair, and open energy market will make a difference. Extreme secrecy within your government goes against the spirit of transparency laws.

My colleague, Hoyt Yee, the Deputy Assistant Secretary of State who works closest on Hungary, spoke to the House of Representatives Foreign Affairs Committee in May, and underscored our government's concerns about the state of checks and balances and democratic institutions in Hungary. Increasing centralization of power creates conditions that mean that many of the big decisions that will impact Hungary for generations to come remain opaque, and it means that decisions are taken without any opportunity for those

who will be affected – the stakeholders – to express their views, concerns, reservations, or even support. We, along with international organizations and other friends of Hungary have raised these concerns persistently over the years – and we will continue to raise them.

An independent civil society sector is a cornerstone of a functioning democracy. Our focus on the conditions for civil society organizations is not unique to our relations with Hungary – this is worldwide U.S. policy – consistent with our global emphasis on the health of democratic institutions. Wherever governments introduce restrictions on civil society organizations, to restrict the space for voices that might differ, we do not see a truly free society.

A government crackdown on the freedom of several NGOs to operate in Hungary began in 2014, and it has continued this year as well – with persistent audits and investigations. Last year, government officials openly accused several human rights and watchdog NGOs of supporting the opposition and being foreign agents. At one point, there were more than 50 NGOs being audited by the government, including all of the most prominent human rights watch dog organizations and independent civil society advocates. Fortunately, the Hungarian justice system has provided some protection for the targeted NGOs. A Hungarian court in January ruled that a police raid on watchdog NGOs last year was illegal. Last week, the authorities ceased the criminal proceedings against the NGOs, finding that the NGOs were not engaged in criminal activity. Yet the situation is not fully resolved. Four NGOs are still facing the threat of having their tax licenses suspended; seven NGOs continue being subject to tax audits; and the police have not returned the equipment seized from the NGOs during the criminal investigation. The chilling effect of these governmental investigations is widespread, and it casts a long shadow on Hungary's reputation in the international community. We urge an immediate end of heavy-handed tactics against civil society organizations.

Linked directly to the ability of civil society organizations to breathe freely is the independence of the judiciary and a free press. An independent judiciary, particularly a constitutional court, is crucial to the healthy functioning of a democratic system. I have mentioned one positive example where the Hungarian judiciary played an important role in upholding Hungarian law with regard to civil society. Courts in every country play a decisive role in defending the rule of law and the separation of powers. They are the protectors of constitutional rights against the whims of short-term political interests. The amendments made to the Fundamental Law here over the last few years have diminished the independence of the Hungarian Constitutional Courts, which have played this critical role here in Hungary since the regime change. Just as one example, the process for appointing judges to the Constitutional Court used to require the agreement of political parties. But not anymore. And Constitutional Court justices are constrained from ruling on the merits of amendments to the Fundamental Law – a restriction that overturns the very checks and balances necessary for an independent judiciary.

Let's talk about media freedom. Hungarian politicians, intellectuals, and members of civil society speak of a marked decline in press freedom. This decline limits discourse and discussion of matters of importance to the Hungarian people. Freedom House now

categorizes Hungary as only partly free in the area of press freedom following a five-year decline. Let's be clear – Hungary is not a place where journalists are jailed and tortured, and we are not suggesting this is the case. But rather, the concerns we have take the form of concentrated media ownership and pronounced subsidies to state media. These subsidies have the potential to profoundly distort the media business landscape, raising the barrier for any new voices to enter the media market and driving smaller outlets to the brink of insolvency. There is also further control exerted over print and television outlets through choices to channel advertising to specific entities. Individuals have taken advantage of the very low legal thresholds for filing civil – and criminal! – slander and libel lawsuits, which can further economically damage outlets that are perceived as critical of the Government. The Media Council, which should be an ombudsman standing up for an independent press, is filled with appointees from just one political party.

Free media is essential for an informed electorate that feels invested in the political process. And the United States shares the international community's concerns about that process. I understand that Parliament is working to pass changes to the election law in keeping with OSCE recommendations, and the United States supports and welcomes that movement. Those recommendations go to the heart of the matter: they call for changes to campaign finance to provide more transparency and fewer opportunities for corruption, and they make key changes to the way district boundaries are assessed and redrawn and they change the way thousands of voters outside the country are able to cast their ballots. We invented the word "gerrymandering" in the United States, and we will be the first ones to cast a critical eye on ourselves, but that does not mean that we cannot appeal to our friends like Hungary to also aspire to upholding democratic ideals.

Of course, migration is on the mind of everyone in Hungary. In the past year, with record numbers of migrants and refugees seeking safety away from Syria and other areas of conflict, Hungary has faced difficult choices. As I have said before: every sovereign nation has the right to protect its borders. But every nation, as a part of the international community, also has a fundamental obligation to help refugee populations seeking safety. Words of intolerance and xenophobic characterizations of refugees – some of the world's most vulnerable people – as invaders and antagonists have no role in our efforts to find a solution. The choice of some to use this rhetoric is puzzling, because Hungary is better than this. The Hungary I know is strong enough to see possibilities, not imply threats. The Hungarian nation's sense of itself is not so fragile that it can only be defined by its enemies or by threats. Hungary is strong enough to define itself by its best attributes, by the best achievements and contributions of the Hungarian people and the proudest moments in your history. Your bravery as a people was never defined by the attributes of your adversaries, but by your own strengths and determination.

Hungary should be strong enough to help to lead within the European Union, to come up with a comprehensive, practical, and compassionate solution to this crisis. We commend the humanitarian spirit of Hungarian leaders, law enforcement personnel, and other citizens who are responding to this crisis with generosity and compassion. We continue to stress that any resolution to these migration challenges should focus on saving and protecting

lives, ensuring the human rights of all migrants are respected, and promoting orderly and humane migration policies.

I also want to take this opportunity to applaud the leaders of the Hungarian government who have objected to raising a statue of Balint Homan in Szekesfehervar. His legacy as a proponent of some of the most venomous anti-Semitic legislation in the pre-war era casts a long shadow over the memory of those Hungarians victimized and killed during the Holocaust. Szekesfehervar, already a magnet for U.S. investment as well as other international companies, and the proposed site for a new NATO Force Integration Unit headquarters, should do better, than to raise tribute to this man.

These are all important matters for Hungarians to consider. And when I mentioned a few moments ago that we could build a stronger bridge, let me explain.

The bridge we can build together already has a solid foundation. We are already partners in fighting crime, in building collective defense, and in seeing that transatlantic trade is open and that it builds prosperity.

I've just talked about democratic ideals and the respect of rule of law. I want to acknowledge, unambiguously, that the United States faces challenges as well, and we in the United States experience, all too often, our own shortcomings, falling short of our own ideals – the best version of ourselves – as a nation. When we speak as a friend of Hungary, as a nation that is invested in your success, we speak as a fellow government and people that have to answer not only for what we say, but also for what we do.

As I have noted, it is U.S. policy to support strong democratic institutions and the rule of law around the world as the necessary foundation for sustainable prosperity, freedom, security, and peace. We will not apologize for having those bold aspirations. But we will, and we do, acknowledge, that we don't always live up to our aspirations. We are diverse – and diversity creates debates, but we know that these are the right kinds of debates – the debates that create opportunities to constantly examine ourselves to see how we can better live up to our ideals. And so our next step is to strengthen our bridge.

I lead a team of committed American and Hungarian public servants in the U.S. Embassy, who serve with pride and purpose. We welcome and are inspired by the responsibility and challenges of representing all Americans and our interests here in Hungary. And Hungary – and Hungarians – also inspire me, with your ingenuity, determination and compassion. Since the time of Matthias Corvinus, Hungary has been one of the brightest centers of civilization, centuries before the United States even began; you are a nation that has contributed much to the world – the large number of Hungarian Nobel Prize winners is only one of so many examples. Hungary is at the crossroads in Europe, and it has the opportunity to use this position for the common good.

Finally, I'll say this. The bridge works both ways. We know this, and we more than accept this – we welcome it. Because we know that if we, as a people, stop striving to be good, we will stop being great.

Thank you very much. Köszönöm szépen!