

HUNGARY'S PARLIAMENT ELECTS NEW PRESIDENT AS COUNTRY GEARS UP FOR DOUBLE ELECTION

Child abuse pardon scandal to test popularity of PM Orbán's ruling Fidesz-KDNP alliance


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SUMMARY

Constitutional Court Chairman Tamás Sulyok has been elected Hungary's next President by the pro-government majority of the country's parliament. Sulyok's election as head of state comes after his predecessor, Katalin Novák, was forced to step down following a controversial presidential pardon she granted to a child abuser's convicted accomplice. Public discontent over the scandal also brought down former Justice Minister Judit Varga, who was widely expected to lead the ruling Fidesz-KDNP alliance's ticket for the upcoming EU elections.

While the ruling bloc has lost two of its most prominent figures and Fidesz's pro-family image was also severely hit, Aretera's baseline scenario assumes it will overcome the adverse impact of the scandal and remain on course to win the upcoming local and EU parliamentary elections. Although the scandal may benefit some opposition formations, including the far-right Our Homeland, most of Hungary's opposition parties remain largely unpopular, with Prime Minister Viktor Orbán's rule unlikely to be challenged.

President-elect Sulyok will be Hungary's first Fidesz-nominated head of state without a partisan background. A legal scientist by profession, he is expected to be a reserved public figure, focusing on the constitutionality of newly adopted legislative initiatives. At the same time, he is unlikely to go against PM Orbán's ruling bloc on issues deemed politically significant (or sensitive) for the ruling Fidesz party.

 **Below, Aretera takes deeper look at the election of Hungary's new president and its implications for the country's upcoming local and EU elections.**

RECENT SCANDAL LEADS TO ELECTION OF NEW PRESIDENT

On 26th February, Tamás Sulyok, the Chairman of Hungary's Constitutional Court, was elected President of Hungary by the pro-government majority of the country's National Assembly. A legal scientist by profession, Sulyok was put forward as the presidential candidate of Prime Minister Viktor Orbán's ruling Fidesz-KDNP alliance to succeed Katalin Novák, Hungary's now former head of state. Novák resigned from office on 10th February following public outrage over a recently revealed and controversial decision to pardon a child abuser's convicted accomplice last April. As CC Chairman, Sulyok will be succeeded by outgoing ruling party MEP and former Justice Minister László Trócsányi.

The public discontent with Novák's decision also brought down former Justice Minister Judit Varga, who countersigned the presidential pardon, as well as Calvinist bishop and longtime former Human Resources Minister Zoltán Balog (2012-2018), who as a presidential advisor supported Novák's decision. Varga, who was widely expected to become Fidesz's lead candidate in the upcoming EU parliamentary elections, announced her withdrawal from public life, while Balog – following an initial refusal to do so – resigned as Head of Hungary's Calvinist Church.

IMPLICATIONS FOR HUNGARIAN POLITICS

The child abuse pardon scandal has turned out to be one of the toughest challenges ever to face PM Orbán's Fidesz during its 14-year rule. Not only has it come just a few months before local and EU parliamentary elections, it has also severely derailed Fidesz's pro-family image, one of the most important promises the party has been running on. Furthermore, public discontent has grown as Novák, who was serving as Family Affairs Minister prior to becoming President, refused to explain her decision on the presidential pardon. This discontent culminated in a 100,000+ strong anti-government protest in Budapest on 16th February, organized by leading Hungarian influencers.

The Hungarian PM was quick to respond in the early days of the scandal by submitting a constitutional amendment on restricting presidential pardoning powers, while Orbán – during his annual state of the nation address on 17th February – announced that the governing bloc will strengthen Hungary's child protection laws. Meanwhile, the country's opposition parties – in addition to calling for tougher child protection measures – have demanded a presidential election, organized their own protest on 25th February and largely aim to tie the scandal personally to the PM.

SHORT-TERM POLITICAL IMPACT

While the pardon scandal is one of the toughest challenges ever to hit the Fidesz party, Aretera's baseline scenario assumes that – with the resignation of Novák and Varga – public discontent could be short-lived and PM Orbán's ruling bloc will overcome the public fallout. While Fidesz has lost two of its most prominent figures, the party was also quick to replace them, likely mitigating any enduring impact on the popularity of the PM and the ruling bloc. Fidesz will also work to rebuild its pro-family image by introducing tougher child protection rules.

As long as Hungary's fragmented opposition remains unable to connect PM Orbán to the pardon scandal personally (which they are currently attempting to do), the adverse impact on Fidesz's popularity will likely be limited. Under Aretera's assessment, Fidesz remains on course to win the upcoming EU elections and preserve most of its mayoral seats in June's local elections. The opposition's limited ability to “benefit” from the scandal is also shown by public refusal to join opposition-organized protests.

While the influencer-organized rally on 16th February attracted 100,000+ protesters (making it the largest anti-government rally in years), recent protests organized by the centre-left and liberal opposition formations attracted only a fraction of this amount. At the same time, the scandal may benefit some opposition parties, including the far-right Our Homeland party, whose popularity has been constantly growing since it entered parliament in April 2022, with the party currently polling at nearly 10% on average. Furthermore, Péter Magyar, the ex-husband of former Justice Minister Varga, who – in response to the scandal and Varga's resignation – resigned from his positions at state-owned companies, has loudly broken ranks with the Fidesz party and publicly criticized several government officials, is reportedly considering setting up a new political party for the EU elections to attract conservative voters disillusioned with Fidesz.

LOOKING AHEAD

Sulyok's nomination for President caught most of the Hungarian public by surprise as pro-government pollsters were known to have surveyed the popularity of several Fidesz politicians in recent weeks, including that of Finance Minister Mihály Varga, Public Administration Minister Tibor Navracsics and Defense Minister Kristóf Szalay-Bobrovniczky. While Sulyok's election means that the aforementioned figures will stay in their respective positions, Finance Minister Varga is also rumoured to be considered for Governor of the National Bank of Hungary (MNB), after the term of the incumbent György Matolcsy expires in 2025. This may be followed (or preceded) by yet another government reshuffle under the leadership of National Economy Minister Márton Nagy.


President-elect Sulyok, who will assume office on 5th March, will likely be a reserved figure, focusing on the constitutionality of newly approved laws and legislative amendments. This will likely be in contrast with former President Novák, who – despite her ceremonial role – was heavily involved in Hungarian state diplomacy and frequently engaged with the Hungarian public. Unlike all of his Fidesz-nominated predecessors, Sulyok does not have a partisan background, however it remains unlikely that he will veto legislative initiatives considered politically sensitive for the ruling bloc. His critics point out that he regularly sided with the government on politically sensitive issues while serving as CC Chairman.

A BUSY LEGISLATIVE AGENDA

While most of the recent domestic and international attention on Hungary has naturally focused on the country's new President (and Fidesz's much-anticipated approval of Sweden's NATO membership bid, also given on 26th February), the spring parliamentary session continues to have a busy legislative agenda. In addition to incoming changes to Hungary's child protection laws, the Orbán Government is widely expected to review this year's budget, start preparations for the 2025 budget, transpose several pieces of EU legislation and present a number of legislative changes, with implications for industries such as ICT and agriculture. Investors are advised to continuously monitor the spring parliamentary session, regardless of the upcoming double election campaign.

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If you would like to schedule a discussion of this paper, please contact:
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