COUNTRY REPORT

SOVEREIGN:

The Revival of Sovereignty in Central and Eastern Europe and the European Union

Adam Kerenyi

The project is co-financed by the governments of Czechia, Hungary, Poland and Slovakia through Visegrad Grants from the International Visegrad Fund. The mission of the fund is to advance ideas for sustainable regional cooperation in Central Europe.

Visegrad Fund

COUNTRY STUDY:
HUNGARY

Introduction

In the Hungarian context, the concept of sovereignty has gained renewed prominence since the 2010 parliamentary elections, when Viktor Orbán secured a constitutional majority in the Hungarian Parliament. In Hungarian public discourse, sovereignty is not framed solely in legal-constitutional terms, but also as economic and institutional capacity: stable public finances, autonomous monetary policy, and resilient state institutions are presented as core pillars of statehood. In constitutional and legal discourse, sovereignty is anchored in the Fundamental Law of Hungary, which emphasizes national independence, constitutional identity, and the limits of transferred competences within the European Union. The relationship between national and EU law is therefore interpreted not as the abandonment of sovereignty, but as its conditional and controlled exercise. Institutional mechanisms presented as "guardians of sovereignty" include the Constitutional Court, the Parliament, and more recently the Sovereignty Protection Office, established in 2023 to monitor alleged foreign influence in domestic political processes. In this framework, sovereignty appears both as a constitutional principle and as an operational doctrine shaping legislative and regulatory practice.

Economic governance — particularly fiscal and monetary policy — is also embedded in this sovereignty narrative. The Hungarian Central Bank plays a central role through its independent monetary policy and the active management of international reserves. Since 2010, Hungary has significantly increased its gold reserves, reinforcing the argument that financial autonomy and reserve adequacy underpin state sovereignty. The expansion of gold holdings — reaching 110 tonnes by 2024 — is frequently interpreted in official discourse as a strategic asset enhancing stability, credibility, and resilience. Thus, sovereignty in the Hungarian case is articulated not only as a legal principle, but as a political-economic project linking constitutional identity, institutional control, and financial capacity.

The study examines also the evolution and sustainability of sovereign debt management in Hungary. The primary focus is on sovereign debt management as a critical domain. The study examines the period 2004–2025, aligning with Hungary's EU accession (2004) and subsequent economic and political developments. This timeframe captures the initial impact of accession, the 2008 financial crisis, the 2010s autocratic shift, and recent geopolitical challenges. Focusing on this period allows for analyzing the institutional transformations prompted by EU membership, the evolution of public debt structures, and policy responses to external shocks. The inclusion of post-COVID-19 developments is particularly crucial, as it highlights divergent trajectories, when democratic institutions faced increasing challenges despite EU membership.

POLITICIZATION OF THE TERM „SOVEREIGNTY" IN THE HUNGARIAN PARLIAMENT

The parliamentary usage of the term "sovereignty" in Hungary shows a clear structural break after 2010, closely linked to electoral cycles and the consolidation of Fidesz–KDNP's governing position. The data demonstrates both a quantitative increase in references and a qualitative shift in which political actors mobilize sovereignty as part of their electoral and ideological strategy.

Prior to 2010, sovereignty was marginal in parliamentary discourse. Between 2006 and 2010, the term was mentioned only 84 times. During this cycle, usage was relatively balanced between government and opposition parties, with MSZP (32 mentions), Fidesz (29), and KDNP (16) all referring to sovereignty. This suggests that sovereignty was not yet monopolized by a single political bloc but remained a secondary constitutional and political concept without strong electoral mobilization potential.

The 2010 election marks a decisive turning point. Following Fidesz–KDNP's constitutional majority, total mentions of sovereignty increased dramatically to 402 between 2010 and 2014—nearly five times the level of the previous cycle. This increase reflects the political and institutional transformation initiated by the new government, including constitution-making and the redefinition of state authority. Interestingly, sovereignty discourse was not dominated exclusively by the government at this stage. While Fidesz (116) and KDNP (33) together accounted for 149 mentions, the right-wing opposition party Jobbik alone recorded 163 mentions, making it the single most frequent user of the concept. This indicates that sovereignty functioned as a broader feature of right-wing political competition, with both governing and opposition actors emphasizing national autonomy, albeit from different strategic positions. Left-wing opposition parties, such as MSZP (39) and LMP (26), used the term less frequently, suggesting weaker integration of sovereignty into their political messaging.

Between 2014 and 2018, sovereignty references remained high at 358 mentions, confirming that the increase after 2010 was not temporary but structural. During this cycle, sovereignty discourse became more clearly associated with the governing coalition. Fidesz maintained high usage (116 mentions), while KDNP increased its references significantly to 52. In contrast, Jobbik's usage declined substantially to 64 mentions, reflecting its strategic repositioning toward the political center. Meanwhile, left-wing parties such as MSZP (33) and LMP (52) maintained moderate but clearly lower levels than the governing parties. This suggests that sovereignty was increasingly integrated into government political identity and communication.

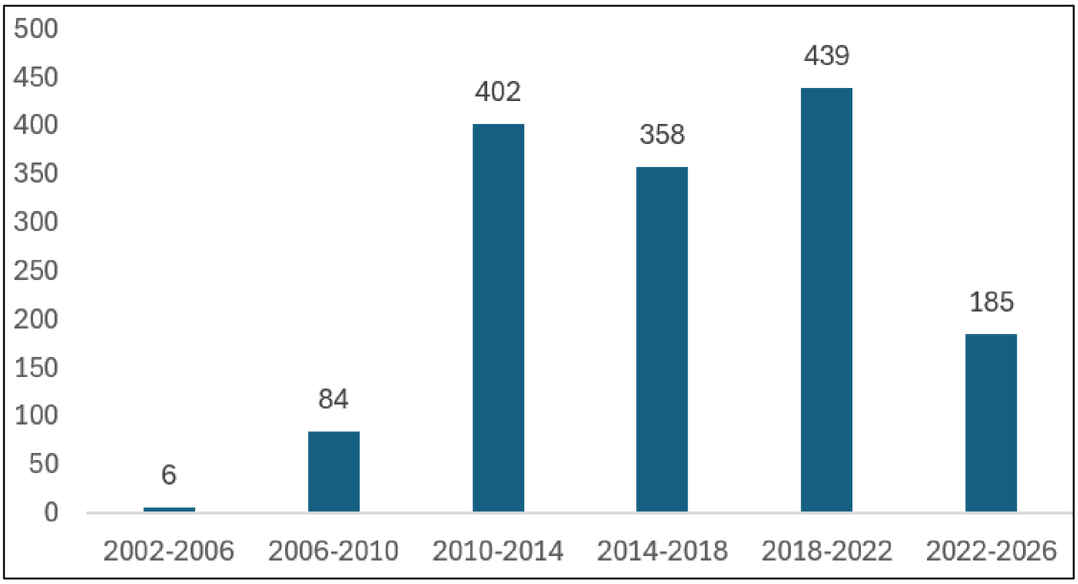
The peak of sovereignty discourse occurred between 2018 and 2022, with 439 total mentions—the highest level across all cycles. During this period, the governing parties overwhelmingly dominated sovereignty rhetoric. Fidesz alone accounted for 159 mentions, and KDNP contributed 72, meaning the government coalition was responsible for over half of all sovereignty references. In contrast, right-wing opposition usage declined significantly, with Jobbik mentioning sovereignty only 39 times. Left-wing opposition parties remained marginal users of the concept, with DK (14), MSZP (33), LMP (37), and PM (6) collectively accounting for a relatively small share. This cycle demonstrates that sovereignty had become a central legitimizing narrative of the governing coalition, strongly linked to its electoral strategy and political positioning.

The 2022–2026 cycle shows a lower total so far (185 mentions), but this likely reflects the incomplete nature of the current parliamentary term. Nevertheless, the structural pattern remains unchanged. The governing parties continue to dominate sovereignty discourse, with Fidesz (76) and KDNP (30) accounting for the majority of references. A notable new development is the appearance of Mi Hazánk (9 mentions), a radical right opposition party that strongly emphasizes national sovereignty as part of its political identity. Meanwhile, left-wing opposition parties such as DK (8), MSZP (14), LMP (8), and Momentum (5) continue to refer to sovereignty relatively infrequently.

Overall, the data shows three major trends since 2010. First, there is a clear structural increase in sovereignty discourse following Fidesz–KDNP's rise to power. Second, sovereignty has become increasingly associated with the governing parties, particularly after 2014 and especially after 2018. Third, sovereignty discourse is strongly asymmetric across ideological lines: it is used most intensively by governing parties and right-wing actors, while left-wing opposition parties engage with the concept significantly less.

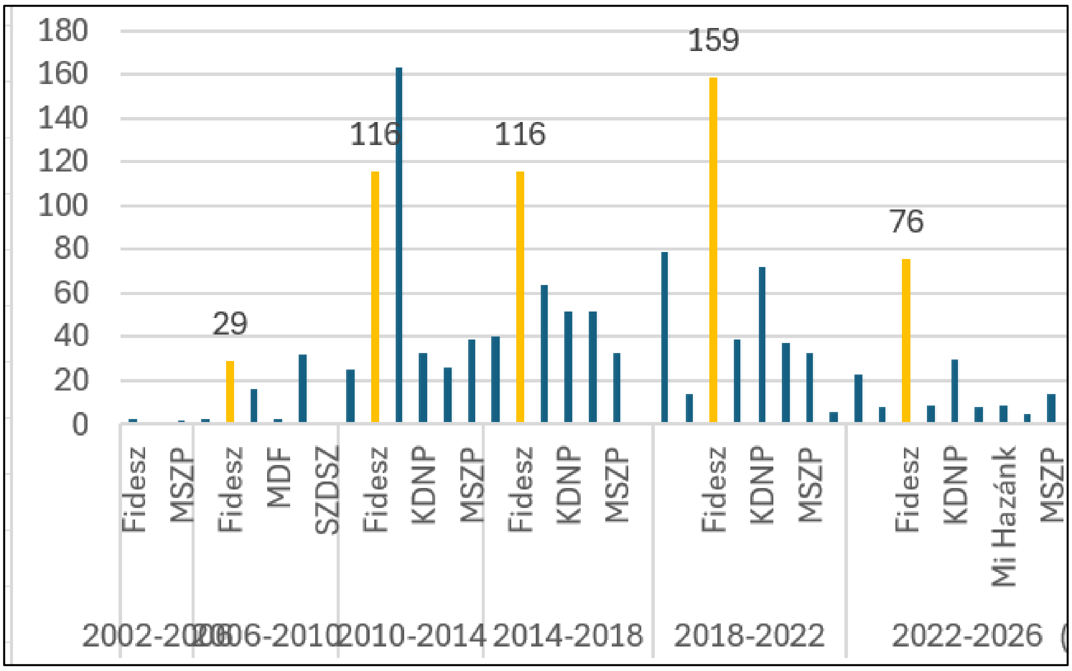
These patterns suggest that sovereignty has evolved into a central political narrative closely tied to electoral cycles and governing legitimacy. Rather than functioning as a neutral constitutional principle, sovereignty has become a key ideological and mobilizing concept, particularly for the governing coalition and the broader right-wing political space.

Figure 1 Usage of the term „Sovereignty" in the Hungarian Parliament by electoral cycles



Source: Author's own calculation based on https://globalpowers.poltextlab.com/

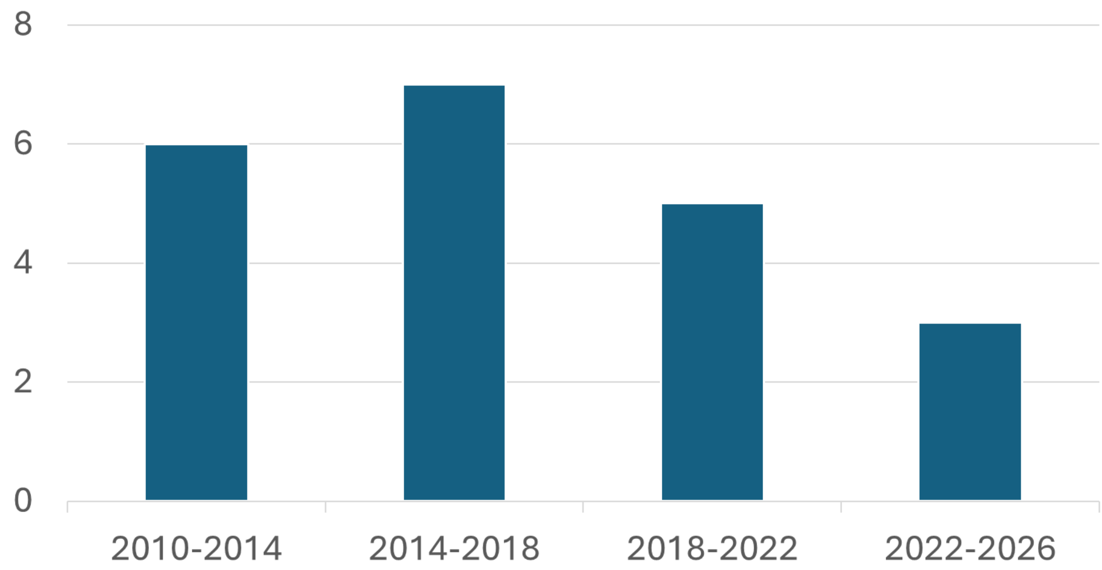
Figure 2 Usage of the term „Sovereignty" in the Hungarian Parliament by parties by electoral cycles



Source: Author's own calculation based on https://globalpowers.poltextlab.com/

Sovereignty is articulated across several interrelated dimensions, beginning with constitutional sovereignty, which underpins the legal and institutional autonomy of the state. This is complemented by diplomatic sovereignty, referring to the ability to assert national interests within supranational frameworks such as the European Union—often through instruments like veto power—as well as in global foreign policy engagements, including bilateral meetings with major powers. Territorial sovereignty constitutes another key dimension, emphasizing the protection and control of national borders, for instance through the construction of physical barriers to regulate migration and security. In addition, financial sovereignty highlights the importance of maintaining independent monetary policy, exemplified by the retention of a national currency such as the Hungarian forint. Energetic sovereignty is framed in terms of autonomy over energy sources and policy choices, including the continued use of Russian gas and oil imports or investments in nuclear energy projects like Paks II. Finally, data sovereignty reflects the growing significance of technological independence, encompassing ambitions such as the development of national satellite capabilities and control over critical data infrastructure.

Figure 3 Usage of the term „Sovereignty” in the Hungarian Parliament by Viktor Orbán by electoral cycles



Source: Author's own calculation based on https://globalpowers.poltextlab.com/

In the Hungarian Parliament Viktor Orbán as a Prime Minister of an EU member state used the term „sovereignity" 21 times (Figure 3). Some examples:

- *„During the next period, the country's independence and the **sovereignty** of Hungary will be subject to numerous attacks. Protecting **sovereignty** is the prime duty of the Prime Minister". (2022-05-24). „The text of the new Constitution* *clearly puts relations between Hungary and the European Union on the basis of national **sovereignty**" (2011-06-27)*

- *„Miklós Horthy was according to the Hungarian Constitution a political leader in a period clearly defined by the Hungarian Constitution, when Hungary lost its national **sovereignty**. We lost our **sovereignty** on 19 March 1944. We recovered it on 2 May 1990" (2015-12-15)*
- *„Minister László Trócsányi will be responsible for protecting the **sovereignty** of the country in the field of law, especially European law" (2018-05-18).*
- *„As far as the past is concerned, I can tell you that the strength of the attack on the financial side is always dependent on how exposed the situation of Hungary is to our current dispute. Hungary was extremely exposed to foreign financial markets in 2010 and in 2011 and in 2012 and therefore Hungary's **sovereignty** could be easily and influenced from this side. However, the situation has changed. You can see that our exposure has been significantly reduced. There are attempts to limit **sovereignty**, but the significant ones do not come from the financial sector today" (2017-04-10).*

FINANCIAL SOVEREIGNTY - DEBT MANAGEMENT IN HUNGARY

Hungary needed international financial assistance during the great financial cirisis in 2008. Hungary signed a stand-by agreement with the IMF during the Fall of 2008, which included the abolishment of the 13th-month pension, increase in VAT and the strengthening of the institutional framework for fiscal policy. The strong cooperation of the government ensured the completion of the program and the return to market financing (Győrffy, 2018). The literature supports the hypothesis that Hungary attempted a radical form of a sovereign financial nationalism (Johnson and Barnes, 2024; Karas, 2022). Sebők and Simons (2022) offer a synthesis that acknowledges both structural constraints and agential possibilities. While recognizing the partially dependent nature of Visegrád Group's economies, they argue that disenchantment with global finance enabled financial nationalism to emerge as a counter-hegemonic strategy, particularly in Hungary, where Orbán explicitly aimed to increase domestic banking ownership above 50%.

The implementation phase included three key policies:

1. Internal revisionist policies restructuring the domestic financial system to benefit national insiders
2. Increased use of national currency, the forint in domestic savings, and loans
3. Increase the gold stocks

These policies achieved several short-term goals, including increased domestic ownership in the banking sector, reduced foreign currency exposure, and greater state control over financial institutions.

The operationalization of financial nationalism through sovereign debt indicators reveals the possibilities of quantitative assessment. Tracking changes in indicators such as debt composition, currency denomination, and holder structure provides concrete metrics for evaluating. The rhetoric of sovereign financial debt management may serve domestic political purposes, but the reality requires continuous negotiation with global financial markets. Orbán's government proved to be a constrained actor navigating domestic political imperatives and international financial necessities.

A particularly telling indicator of this pragmatic adaptation is Hungary's approach to sovereign debt management. Despite rhetoric emphasizing domestic financing, Hungary continued to rely significantly on international markets, with the Government Debt Management Agency (AKK) developing sophisticated strategies to balance nationalist goals with international market realities.

Governments with a financial suverenist orientation often prefer to finance spending through debt issued in domestic currency, as this reduces reliance on foreign creditors and exposure to exchange rate risk. This approach has been a central priority of the Orbán government and Hungary’s Government Debt Management Agency (ÁKK) (Johnson and Barnes, 2024, p. 7). In Hungary, following 2010, the share of debt issued in local currency rose steadily, reaching 82.3% by 2019.

Hungary experienced an increase in the share of foreign-held debt until the early 2010s. Following the electoral victory of Fidesz, however, this proportion began to decline sharply and persistently. This downward trend plateaued after 2016, stabilising at a level that remained the second highest in the region. The Orbán era has been characterized by a strategic shift toward domestic debt financing, reducing Hungary’s reliance on foreign lenders and increasing the role of domestic banks and nonbank investors. While this policy has strengthened financial independence, it also raises concerns about the concentration of public debt within the domestic financial system. Additionally, the recent reversal in the debt-to-GDP trend suggests that economic and fiscal challenges remain, particularly in the context of rising global interest rates and inflationary pressures.

Since Prime Minister Viktor Orbán’s return to power in 2010, Hungary's public debt structure has undergone a strategic shift from foreign to domestic financing sources. This shift aligns with the government's broader economic policy objectives, emphasising financial sovereignty and reducing reliance on international creditors.

A key trend during the Orbán era has been the substantial decline in foreign participation in Hungary's public debt. Foreign nonbanks, which accounted for 28.4% of debt in 2010, initially increased their holdings to 37.1% in 2011 and to 43.0% in 2013 before gradually decreasing to around 26% by the end of the period. This suggests that while foreign investors remained engaged, their role has diminished over time. The decline was even more pronounced for foreign banks, whose participation fell to virtually zero after 2015. Similarly, foreign official lending, which peaked at 26.7% in 2011, declined to just 10% by 2024.

These trends reflect the government's deliberate strategy to reduce external financial dependence, particularly in response to the economic challenges following the 2008–2009 financial crisis and the European sovereign debt crisis. Domestic banks expanded their share from 22.0% in 2010 to a peak of 30.6% in 2017, maintaining a strong presence at around 25%, despite significant government efforts to broaden their share. Domestic nonbanks—such as households—also played a growing role, reaching their highest level of 37.8% in 2019.

OUTSIDE THE EUROZONE

Orbán's success in prolonging the negotiations calmed the markets without policy conditionality. Outside the eurozone Orbán had the chance to implement policies without the golden straitjacket of the euro. According to Győrffy (2024) Keeping the national currency helped entrenching Orbán's system in four ways:

1. The Hungarian currency (HUF) could be steadily devalued – while the HUF/€ exchange rate stood at 268,13 on 8 April 2010, 12 years later, after a steady decline it was 377,28 on 8 April 202214 – a decline of 40 percent. The policy of devaluation helped the government to sustain price competitiveness of the economy, and claim steady increase of wages in HUF, which has been very popular with the electorate. Furthermore, there is a limit to the use of this tool – the forint continued its slide after the 2022 elections, and the HUF/€ exchange rate reached 432 on 12 October, resulting in an inflation rate over 20 percent and overnight collateralized loan facility rate of 25 percent.

2. Independent monetary policy also allowed the government to sustain historically low interest rates – since September 2016, the official base rate was lower than the inflation rate yielding a negative real interest rate, which have fuelled consumption and asset price hikes giving the illusion of an economic boom.

3. As a eurozone outsider Hungary did not have the obligation to become part of the banking union, which sustains the potential to conduct independent policies on ownership, regulation, and supervision. Mérő and Piroska (2016) document

extensively how the Orbán government used these powers to reshape the ownership structure of the Hungarian banking sector.

4. The National Bank of Hungary (NBH) has been able to design special credit programs to help companies first in response to the global financial crisis then in response to the COVID pandemic. While such lending operations and asset purchase programs were conducted by the ECB as well, the structure of these programs can differ significantly. An example for this difference is the Bond Funding for Growth Scheme (BGS) of the NBH in 2019. Although it is modeled on the ECB's Corporate Sector Purchase Program (CSPP), unlike the original, which requires investmentgrade credit rating (BBB-) from applicant companies, the BGS threshold is B+ (NBH, 2019, p. 6), which is basically junk bond. Around 50 percent of the 300bn HUF (around 0,9bn € in 2019) program went to companies close to the government (Győrffy, 2022).

GOLD RESERVES

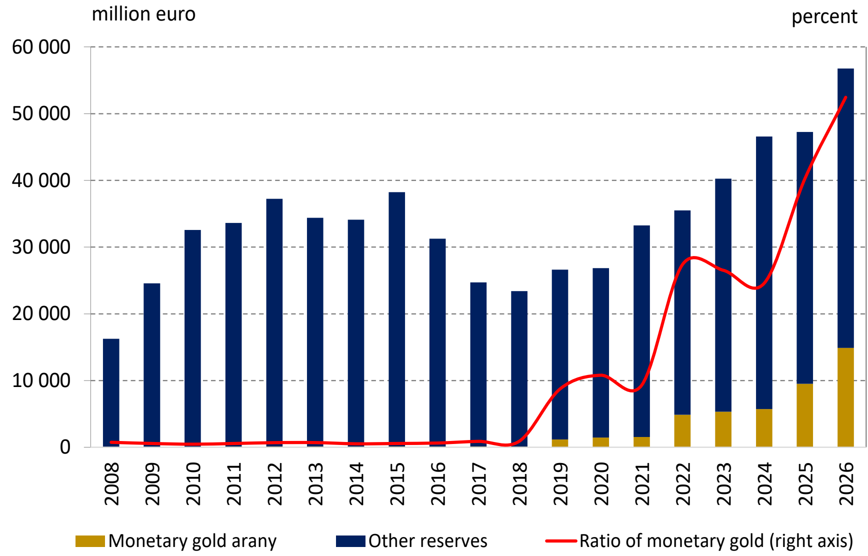
Gold surpassed the level of 5,000 US dollars per ounce in January 2026. Gold is a symbol of trust, durability and stability, and historically it has often functioned as a safe-haven asset in times of crisis. In recent years, in response to changes in the global economic environment, several countries have decided to assign a more prominent role to the precious metal as a traditional reserve asset and to increase their gold holdings. Hungary's gold reserves amounted to 110 tonnes in January 2026, with monetary gold currently accounting for 26% of total reserve assets.

From a macroeconomic and strategic perspective, gold reserves strengthen the country's stability and the perception of the Hungarian financial system. According to data from the Hungarian central bank, total international reserves reached a historic high of €56.8 billion in January 2026, compared to a markedly low level of €16.2 billion during the global financial crisis in 2008. Within the reserve structure, the role of gold has further increased. The value of gold reserves rose by 11% year-on-year, reaching €14.9 billion by the end of January.

Since its establishment in 1924, the Hungarian central bank has held gold reserves, although their volume has fluctuated significantly over the decades. Gold holdings increased until the Second World War, and at the end of the war approximately 30 tonnes of gold bars and coins were evacuated on the central bank's so-called "Gold Train" to Spital am Pyhrn in Austria. After the war, the reserves were returned to Hungary and supported economic stabilisation and financial consolidation during the introduction of the forint. Around the time of the political transition, Hungary's gold reserves were gradually reduced to a minimum of around 3.1 tonnes. In 2018, holdings increased more than tenfold to 31.5 tonnes, then tripled to 94.5 tonnes in

2021, and finally rose to 110 tonnes in 2024, the centenary year of the central bank's foundation. Compared to 2008, Hungary's national gold reserves had increased thirty-fivefold by September 2025 (Figure 6).

Figure 4. Monetary gold and the total reserve assets from 2008 (million euro and %).



Source: Author's own calculation based on MNB

The case study of the Sovereignty Protection Office

The Sovereignty Protection Office (Hungarian: Szuverenitásvédelmi Hivatal) was established in late 2023 under Hungary's Act on the Protection of National Sovereignty and began operating in early 2024 as an autonomous state administrative body. Hungary's Sovereignty Protection Office (SPO) Headed by Tamás Lánczi has adopted an operating model often seen in autocracies[1]. Its

[1] See an examle from the webpage if the SPO below: „On May 13, 2025, a new bill titled "On the Transparency of Public Life" was submitted to the Hungarian parliament. The proposal comes at a critical time when national sovereignty and democratic self-determination face mounting pressures from global influence networks. This legislation marks a significant step in Hungary's commitment to shielding its public life from covert foreign interference. The legislation introduces a registry system for entities that engage in such activities. If passed, the Sovereignty Protection Office will identify organizations whose foreign-funded efforts jeopardize Hungary's constitutional values. These organizations will be listed, required to obtain state approval before receiving any foreign support, and their leaders have to file public asset declarations. Violations, such as accepting funds without approval, can lead to fines of up to 25 times the value of unauthorized support, or even a ban on further public engagement. Crucially, the bill builds upon overwhelming public support. A recent national consultation revealed that over 98 percent of respondents back stronger measures to defend Hungary's sovereignty and oppose foreign political influence. These figures highlight a deep societal consensus: that Hungary's future must be determined by Hungarians alone". https://abouthungary.hu/blog/hungarys-new-sovereignty-law-a-firm-stand-against-foreign-influence

mandate is to investigate and report on activities deemed to involve foreign interference in Hungary's democratic processes, including political campaigning and public opinion formation. The Office does not have prosecutorial powers but may conduct inquiries and publish findings. According to the 2024 central budget law, its initial annual allocation was in the range of several billion forints (approximately HUF 2–3 billion), with funding provided from the central budget chapter of the Prime Minister's Office.

According to Weiler (2026) several of our sources, Szabó and Paplanos essentially imported the logic and functioning of Fidesz's political institutions to Samsung, meaning that they treat the press and NGOs critical of the company as enemies. As one of our sources explained, Szabó and Paplanos convinced the Korean leadership that Átlátszó and the Göd-ÉRT Association (a local association for environmental protection and urban conservation) were organizations funded from the US, working against Samsung's expansion in Göd because they wanted Samsung to expand in the US instead. (This narrative was later echoed at the state level, with the Sovereignty Protection Office launching an investigation into Átlátszó in 2024 which concluded that the newspaper posed a *„sovereignty risk"* to *„Hungary."*)

CONCLUSION

The evolution of sovereignty discourse in the Hungarian Parliament demonstrates a clear politicization of the term after the 2010 electoral victory of Fidesz. What had previously functioned as a relatively marginal constitutional concept became a central organizing principle of political communication, closely aligned with electoral cycles and governing legitimacy. Over time, sovereignty shifted from a shared constitutional vocabulary to a dominant narrative of the governing majority, increasingly asymmetrical across ideological lines and embedded in broader identity-building strategies.

This politicization has been reinforced at the constitutional and institutional level through the Fundamental Law of Hungary and the creation of dedicated institutional actors such as the Sovereignty Protection Office. In parallel, sovereignty has been extended beyond legal doctrine into economic governance, where monetary autonomy, debt management, and regulatory control are framed as pillars of "effective sovereignty." The consolidation of influence over the Magyar Nemzeti Bank, the restructuring of sovereign debt toward domestic financing, and the strategic communication surrounding fiscal independence illustrate how political rhetoric has been operationalized through concrete institutional and financial policies.

Finally, the post-2010 expansion of Hungary's gold reserves symbolizes the material dimension of this sovereignty project. The sharp increase in monetary gold holdings, alongside the emphasis on national currency financing and central bank autonomy, reflects an attempt to anchor political sovereignty in financial resilience. Yet the oscillation between nationalist rhetoric and continued reliance on international capital markets underscores the structural limits of sovereign financial nationalism. Hungary's case thus illustrates how sovereignty has evolved from a constitutional principle into a multi-layered political-economic strategy—simultaneously symbolic, institutional, and materially grounded, but continuously negotiated within the constraints of global integration.

REFERENCES

Győrffy, D. 2018. Trust and crisis management in the European Union: An institutionalist account of success and failure in program countries. Palgrave Macmillan.

Győrffy, D. (2022). The middle-income trap in Central and Eastern Europe in the 2010s: Institutions and divergent growth models. Comparative European Politics, 20(1), 90–113. https://doi.org/10.1057/s41295-021-00264-3

Győrffy, D. 2024. Populism and authoritarianism in the EU: what is the role of the euro?, European Politics and Society, 25:4, 643-663, DOI: 10.1080/23745118.2022.2148916

Johnson, J., Barnes, A. 2015. Financial Nationalism and its International Enablers: The Hungarian Experience. Review of International Political Economy 22 (3): 535–569.

Johnson, J., Barnes, A., 2024. Contemporary Financial Nationalism in Theory and Practice. Nationalities Papers, 1–19 doi:10.1017/nps.2024.46

Johnston, A., Johnston, J. 2024. Bent into submission? Foreign investors, domestic investors, and populist governments.

Karas, D., 2022. Financialization and State Capitalism in Hungary after the Global Financial Crisis. Competition&Change 26 (1): 29–52.

Mérő, K., & Piroska, D. 2016. Banking union and banking nationalism—Explaining opt-out choices of Hungary, Poland and the Czech Republic. Policy and Society, 35(3), 215–226. https://doi.org/10.1016/j.polsoc.2016.10.001

NBH. (2019). Considerations behind the launch of the Bond Funding for Growth Scheme (BGS) and main features of the program. Budapest: National Bank of

Hungary.https://www.mnb.hu/letoltes/novekede-si-ko-tve-nyprogram-eng-0326-2.pdf.

Sebők, M., Simons, J., 2022. How Orbán won? Neoliberal disenchantment and the grand strategy of financial nationalism to reconstruct capitalism and regain autonomy. Socio-Economic Review, 20(4), 1625–1651. https://doi.org/10.1093/ser/mwab052

Weiler, V. 2026. „Viktor stripped the factory of protection" – the cover-up at Samsung's Hungarian battery plant and how the government mishandled it. https://telex.hu/komplex/2026/02/14/viktor-stripped-the-factory-of-protection-the-cover-up-at-samsung-s-toxic-battery-plant-in-hungary-and-how-the-government-mishandled-it

ABOUT AUTHOR

Adam Kerenyi

Adam Kerenyi is an Academic Coordinator of the Enlargement Hub at the CEU Democracy Institute and a research fellow at the POLTEXTLAB AI Laboratory at the Institute for Political Science. His main research fields are the economic transition of the former socialist EU countries, public finance and financial stability. He holds a PhD in Finance. He used to be a researcher at Institute of HUN-REN KRTK World Economics. Prior Adam served as a research assistant to the late János Kornai. Adam is a Board Member of the Institute for New Economic Thinking's Young Scholars Initiative Community Board. He also gained experience as a trainee at the European Securities and Markets Authority (ESMA) in Paris. Currently, Adam teaches at the Faculty of Economics and Business Administration at the University of Szeged.