

**FREEDOM AND  
DEMOCRACY**



# HUNGARY

FROM THE DISMANTLING OF THE IRON CURTAIN TO SCHENGEN





# In 1956 Hungarians fled to the West

“The people of Hungary have sacrificed sufficient blood to demonstrate to the world their devotion to liberty and justice.”

*(Minister of state István Bibó, 4 November 1956)*

The Red Army occupied Hungary in the Second World War. This *de facto* situation determined the fate of Hungary for the next nearly five decades; the communist party introduced a Stalinist-type totalitarian dictatorship. The period was characterized by unquestioning submission to the Soviet Union, the cult of personality surrounding party general secretary Mátyás Rákosi, show trials, forced industrialization, the plundering of the peasantry, a paralysed culture and the hounding of the churches. The 20<sup>th</sup> Congress of the Communist Party of the Soviet Union was followed by ferment virtually throughout the entire East European bloc, and in Hungary the activities of the intelligentsia took on new force. The Revolution of 23 October 1956 started with a demonstration by university students from Budapest before it spread out across the entire country, mobilizing every oppressed section of society. The leader of the Hungarian Socialist Workers' Party (MSZMP), János Kádár, with the backing of the Soviet Army, crushed the fierce armed uprising, restored the dictatorship and initiated brutal reprisals. The number of executed exceeded 300, among them Imre Nagy, prime minister at the time of the Revolution. 22,000 people were imprisoned and approximately 200,000 fled the country. They escaped towards Austria across the western border, just as, 33 years later, in August and September 1989, East Germans also escaped...



They succeeded in crossing the border into Austria, but uncertainty is still etched in their faces



Soviet tanks in Budapest downtown



People running for cover from gunfire in front of Parliament, 25 October 1956

István Kenéz, a farmer from Cegléd, signs the declaration on entry into the cooperative. His wife's face reflects worry and concern (1960)

## Reprisals switched for a "soft dictatorship"

The close relationship with the Soviet Union, membership of the Warsaw Pact and the dominant role of the Socialist Workers' Party were non-negotiable

After the defeat of the 1956 Revolution the Kádár leadership was isolated by the international community. The Soviet intervention was declared unlawful in the UN, and the General Assembly passed several anti-Hungary resolutions. Hungary's membership of the UN was suspended and only restored after the declaration of an amnesty in 1963.

The stigmatization of those who took part in the uprising and the discrimination suffered by their families continued until the change of system in the 1990s.

From the early 1960s the lessons of 1956 were drawn: János Kádár eased certain constraints and famously proclaimed that "those who are not against us are with us". The political softening and a modest but steady increase in the population's wealth made the socialist system easier to bear. Cooperatives set up in agriculture, most established only after the members were forcefully "convinced" of the benefits, and family farming plots gave the country a good quality food supply. The Western press termed this "goulash communism", and Hungary became known as "the happiest barrack" in the Eastern bloc due to the relative intellectual-cultural freedom enjoyed in the country. Western politicians considered Kádár an increasingly acceptable partner.

The downsides of a centralized, planned economy quickly became apparent. 1968 saw the experimental introduction of the "new economic mechanism", but later the reform was withdrawn. The standard of living could be maintained only by taking up significant loans from the West. By the early 1980s the country was seriously indebted, and the leadership saw the only possible solution in membership of the International Monetary Fund and the World Bank, a move opposed by Hungary's Eastern allies.



János Kádár and Soviet general secretary Nikita Khrushchev (1958)



An indication of the improvement in living standards was the construction of thousands of weekend houses from the 1960s onward



Hungary was admitted to the International Monetary Fund and the World Bank in 1982. Joint general assembly of the two bodies in Toronto



Compared to other socialist countries, Hungary enjoyed a bounteous food supply

# Opposition movements

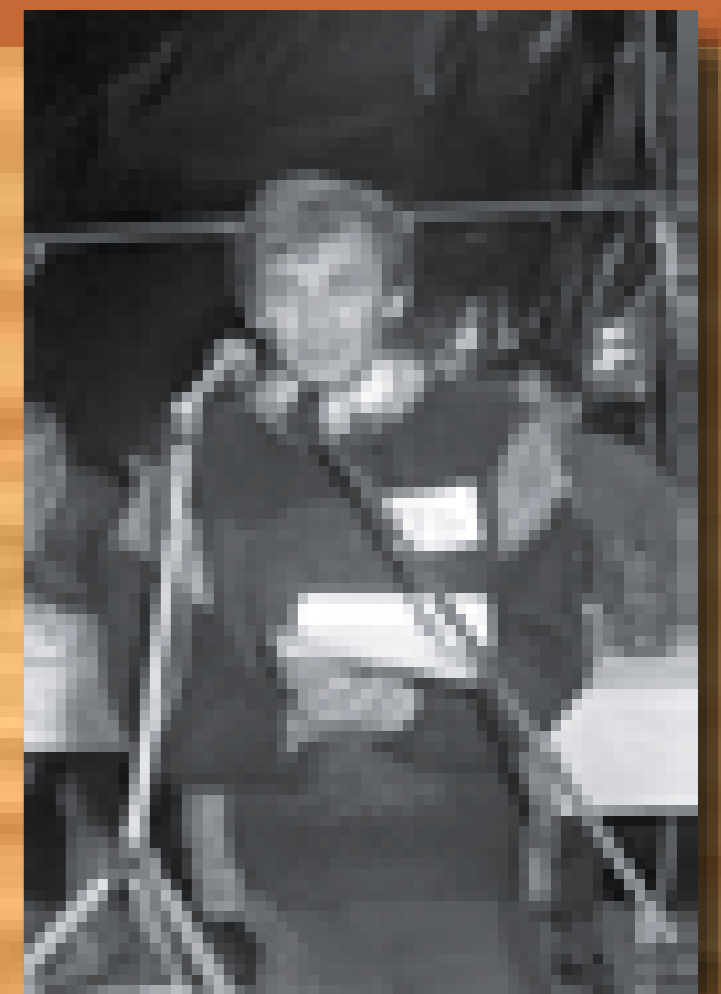
The rock opera "Stephen, the King" by Levente Szörényi and János Bródy premiered in 1983. The barely disguised presentation of national sensibilities suppressed under socialism won the enthusiastic applause of audiences

## Stifling of the 1968 Prague Spring sparked demonstrations



Ferenc Kőszeg, a member of the democratic opposition, being chased by plain-clothed policemen (1982)

On 20 August 1968 Hungary, along with the forces of the Soviet Union, Poland, East Germany and Bulgaria, marched into Czechoslovakia and assisted in overthrowing the "socialism with a human face" experiment. This brutal act sparked a considerable international backlash. In Hungary, the occupation of the neighbouring country resulted in the first openly-voiced political-ideological criticism since 1956: several philosophers, sociologists and writers condemned the intervention in a strongly worded statement. 34 signed Charter 77, among them many outstanding figures in intellectual life. The democratic or urban trend of the Hungarian opposition dates its formation from this time.



Sándor Lezsák founded the Hungarian Democratic Forum at a meeting held at his home in Lakitelek



All forms of opposition came together at the Monor meeting in 1985. University professor Lajos Für is speaking

The other group raising its voice because of the economic difficulties and political restrictions on freedom of speech primarily derived from literary circles. Members of the people's-nation's opposition wanted to broaden the frames of "initial publicity", and they attempted to sustain national self-awareness through daring articles, calls for the authorities to guarantee autonomy for the organizations of intellectuals (for instance, the Writers' Association), as well as moves to protect the interests of Hungarians living beyond the borders.

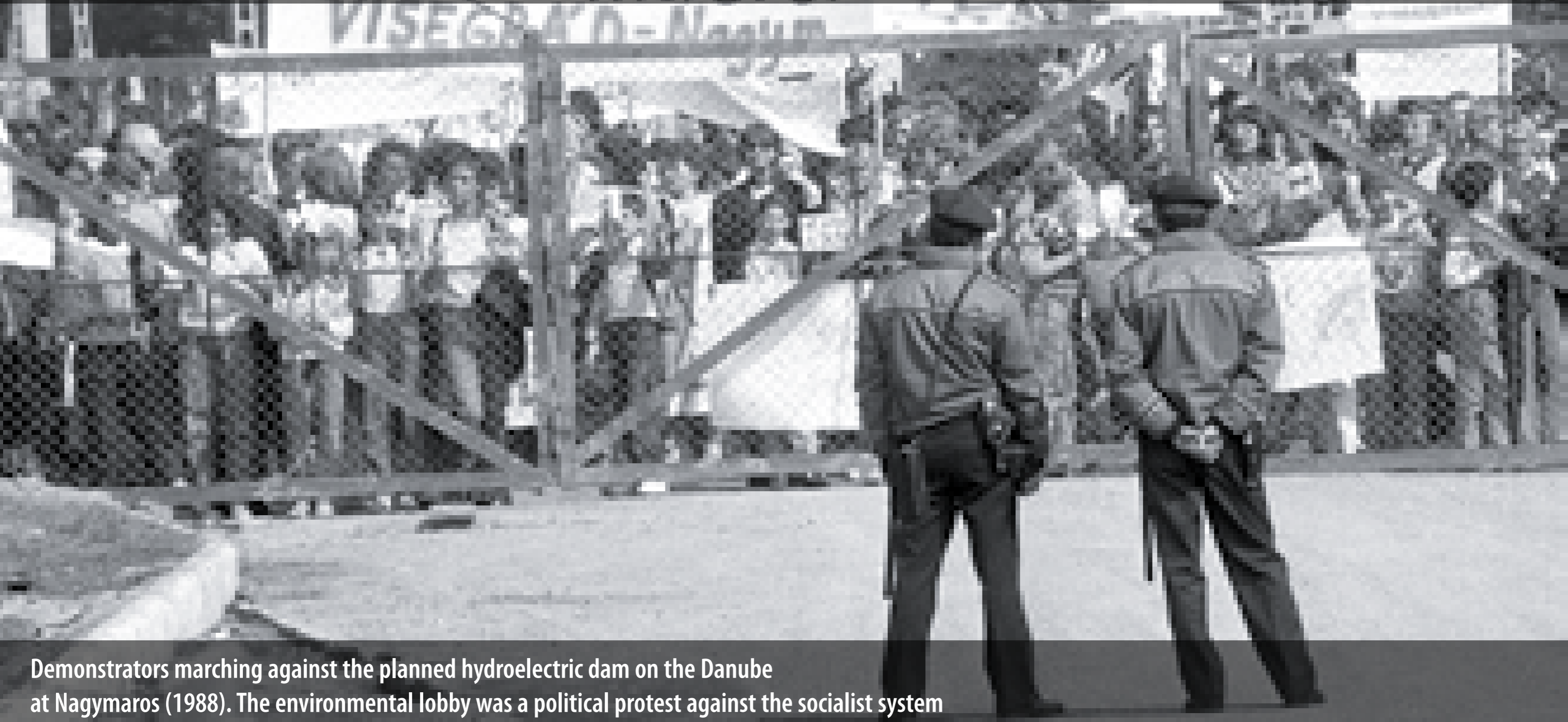


Towards the end of the 1980s the Jurta Theatre was one venue for opposition meetings

The ranks of critics of the Hungarian political and economic institutional system included university professors, economic researchers, historians and sociologists who were members of the MSZMP; these individuals made efforts to propagate reform concepts from within the party, while at the same time maintaining contacts and cooperating with both opposition trends.

In 1985, 45 intellectuals gathered in Monor to formulate a diagnosis of the worrying state of the country. However, further joint appearances were hindered due largely to differences over principles. One of the emblematic moments preceding the change of system, the 1987 meeting at Lakitelek held under the title "The Chances of Hungarians", attracted 180 people, although only a few representatives of the democratic opposition attended. The Hungarian Democratic Forum (MDF), launched as a movement and the party that eventually won the first free elections in Hungary in 1990, formulated its introductory manifesto in Lakitelek.

# Collapse of the Kádár system



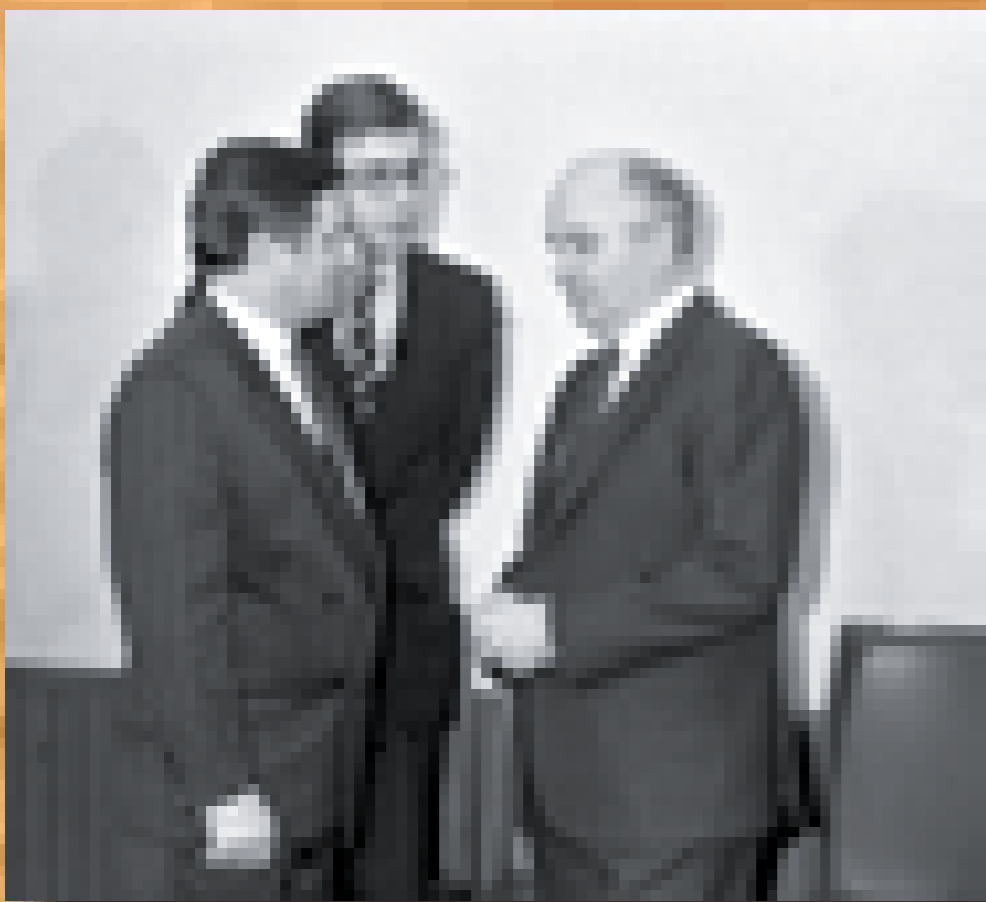
Demonstrators marching against the planned hydroelectric dam on the Danube at Nagymaros (1988). The environmental lobby was a political protest against the socialist system

The ruling party just drifted while opposition programmes reached the stage where they openly called for a change of system

In 1986–87 several opposition programmes were drafted to prepare the way for the transformation of Hungary. About 60 people – including László Antall, László Lengyel, István Csillag, Lajos Bokros and György Matolcsy – drew up a crisis analysis and radical reform programme (1986) entitled “Turn and Reform”. The democratic opposition published their programme “Social Contract – Conditions for political solution” hallmarked by the names of János Kiss, Ferenc Kőszeg and Otília Solt in a June 1987 special edition of the underground periodical *Beszélő*. Its famous demand was “Kádár must go!” In summer 1987 Mihály Bihari’s article “Reform and democracy” analysed the crisis in the political-power system and proposed a comprehensive constitutional reform programme.



At a party meeting on 22 May 1988 János Kádár was removed and Károly Grósz became the new general secretary



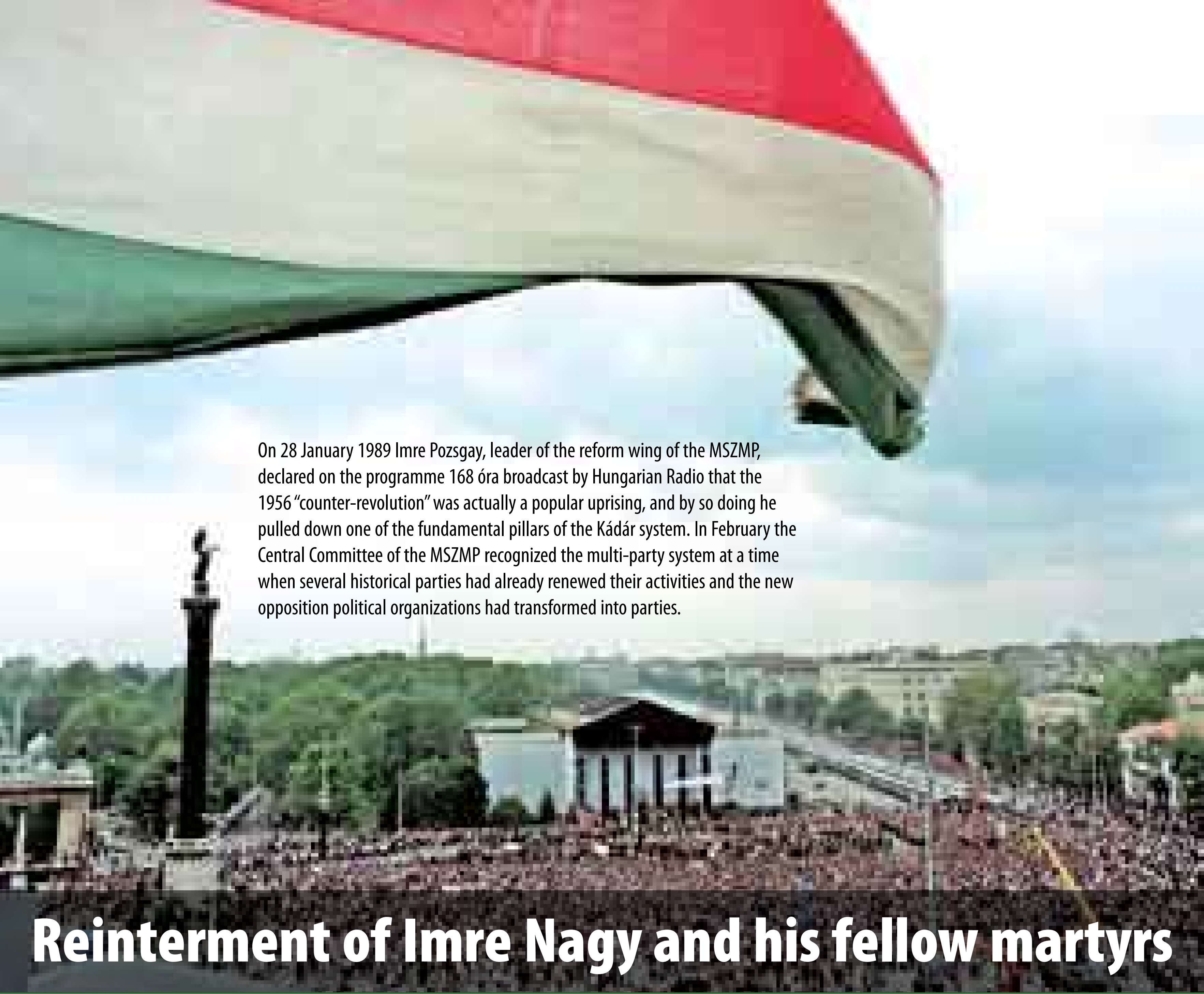
Prime minister Miklós Németh in Moscow. Mikhaïl Gorbatchev acknowledged the transformations underway in Hungary

A vital external factor was the replacement in Moscow of the aged party general secretaries with a young, dynamic politician of the name Mikhaïl Gorbatchev. Not even the MSZMP could resist the constraint to change. In 1987 Károly Grósz was appointed government head, and then in 1988 he replaced János Kádár as leader of the party. Grósz recognized the need for the development of a market economy but he perceived reforms strictly within the framework of socialism. In November 1988 Miklós Németh rose from the ranks of the youthful political generation to become prime minister. His period in office was marked by a move away from the party, the construction of new forms of relations with parliament and dialogue with the opposition.

The picture accurately reflects relations between those holding power in spring 1989: the proposals of the general secretary are not particularly welcomed by the prime minister



At the same time, examination of the political institutional system had started within the MSZMP, although events eventually overtook the cautious moves being made in the party. Opposition protests became increasingly frequent, the political leadership lost its remaining respect and the pace of erosion of the party state increased. The gigantic Bős-Nagymaros dam planned jointly with Czechoslovakia, the so-called “Danubesaur” project, took on a political dimension and became a symbol of rejection of the system.



On 28 January 1989 Imre Pozsgay, leader of the reform wing of the MSZMP, declared on the programme 168 óra broadcast by Hungarian Radio that the 1956 “counter-revolution” was actually a popular uprising, and by so doing he pulled down one of the fundamental pillars of the Kádár system. In February the Central Committee of the MSZMP recognized the multi-party system at a time when several historical parties had already renewed their activities and the new opposition political organizations had transformed into parties.

## Reinterment of Imre Nagy and his fellow martyrs

The symbolic closure of the communist autocracy in Hungary and at the same time the overture to the change of system



Viktor Orbán, leader of FIDESZ, gave his highly influential speech in the name of Hungarian youth



Erzsébet Nagy places flowers on the coffin of her father



Imre Mécs, who was originally condemned to death and then reprieved, makes a moving speech remembering his fellow fighters

The Committee for Historical Justice started work in 1988. One of its aims was to give Imre Nagy, executed for his part in the 1956 Revolution and buried in an unmarked grave, as well as his fellow martyrs a proper funeral. Initially the authorities intended to permit family funerals only, but bowing to pressure from the opposition they finally accepted the reinterment of the martyrs on 16 June 1989, the 31<sup>st</sup> anniversary of the execution of the former prime minister. Coffins bearing the remains of Imre Nagy, Miklós Gimes, Géza

Losonczy, Pál Maléter and József Szilágyi were joined by a sixth, empty coffin on the bier, for the Unknown Revolutionary. A crowd of 250,000 gathered on Heroes' Square to attend the moving funeral service. Speakers included former participants of the uprising including Imre Mécs who had been condemned to death and then reprieved and given a life sentence, as well as Viktor Orbán, leader of the Alliance of Young Democrats (FIDESZ).

# Cutting through the Iron Curtain

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In 2008 a 40-metre-long section of the Iron Curtain was reconstructed at Hegykő in memory of those who crossed it and those who died in the attempt

In August 1989 this Hungarian symbol of the Cold War and a divided Europe was finally scrapped



Dismantling of the barbed wire border started in early spring 1989

This picture was transmitted around the world. Austrian foreign minister Alois Mock and his Hungarian counterpart Gyula Horn cutting through the Iron Curtain on 27 June 1989



In a speech at Fulton on 5 March 1946, former British prime minister Winston Churchill spoke these famous words: "From Stettin (today Szczecin, Poland) in the Baltic to Trieste in the Adriatic, an Iron Curtain has descended across the Continent." Churchill's premonition proved true: after the Second World War minefields were sown and barbed wire erected along the western borders of those East European countries falling under the Stalinist influence of the Soviet Union.

From 1949 Hungary constructed reinforced technical border defences along its western, Austrian and southern, Yugoslavian border sections. There were many technical problems with the outdated, poor quality mines. A thaw in the global political situation in the mid-1950s allowed mines to be removed from autumn 1955. Demining continued until September 1956. This was the reason that just a few weeks later, after the crushing of the Revolution, several tens of thousands of Hungarians could escape to Austria.

Minefields were reintroduced in spring 1957. In total, 1,124,900 mines were sown. From 1965 the S-100-type Soviet electronic alarm system was built along the entire length of the Hungary-Austria border. By the middle of the 1980s this system, too, was obsolete and the idea of updating it was raised, although there was ever less reason to maintain a hermetically sealed border: Hungary maintained good relations with Austria and the Western states, and the green border was primarily used as an escape route not for Hungarians but citizens of other Eastern European countries. After a political decision on 28 February 1989, a start was made on dismantling the Iron Curtain in April. The ruling of the Hungarian government was strenuously rejected by several socialist countries, first and foremost East Germany. The Iron Curtain in Hungary was finally dismantled in August 1989.



József Antall presents a strand of the Iron Curtain to American president Ronald Reagan



At the Iron Curtain Museum, a grandfather shows his grandchild what sort of systems were in place along the Hungary-Austria border for decades

# The Paneuropean Picnic



When the gate opened, people flooded into Austria

Several hundred citizens of the GDR took the opportunity of an open border to escape to Austria



Don't cry, my boy, we've made it!

News of the dismantling of the Iron Curtain in Hungary soon spread and awoke hopes in the hearts particularly of East Germans that they would be able to travel to Austria via Hungary, and then on into West Germany. However, at that time this was still not possible because although the physical border had been removed the Hungarian border guards were particularly vigilant in patrolling the western border that summer. What is more, Hungary was bound under an international convention to return foreigners crossing the border illegally to their own authorities. In the summer of 1989, several tens of thousands of East Germans stayed in Budapest for weeks waiting for the opportunity to travel to the West.



Happy and safe on Austrian soil

On 19 August 1989, the Debrecen branch of the MDF and opposition organizations in Sopron organized a celebratory "picnic" at Sopronpuszta, on the Hungary-Austria border. Ottó Habsburg, president of the Paneuropean Union, and Imre Pozsgay, minister of state, agreed to be patrons of the event, although they were not present in person. Several thousand people, among them citizens of East Germany, commemorated the dismantling of the Iron Curtain and the unifying principle of Paneurope calling for a Europe without borders. As part of the programme, and in a move agreed beforehand between the governments of Budapest and Vienna, a temporary border crossing was opened for a few hours at midday. Taking the opportunity, about 700 East Germans crossed into Austria during the day.



Zoltán Horváth, one of the organizers of the Paneuropean Picnic

For many, the Paneuropean Picnic at Sopron brought freedom, and at the same time it was a test to see how Moscow and the Southern Battalion of the Soviet Army based in Hungary would react to this unprecedented move. The Kremlin simply acknowledged the development, but the government in East Berlin was furious, calling on Hungary to comply with its treaty obligations and stop further citizens of East Germany from leaving the country.

Every year on 19 August a commemoration is held at the scene of the breakthrough





# GDR refugees in Hungary

The Hungarian Maltese Charity Service (MMSZ) took care of several thousand East German citizens



Young Budapesters calling for the demolition of the Berlin Wall on 13 August 1989

this step would guarantee international protection for the Hungarians of Transylvania fleeing to Hungary in the wake of the demolition of villages in Romania and nationality discrimination. However, East Germans also saw the possibility of freedom guarantees in this decision. Over the course of the summer around 60,000 refugees gathered in the four camps in Budapest and on the Balaton, waiting and hoping for a favourable outcome of talks between the two German governments and Budapest.

In 1989 protests were becoming increasingly common in East Germany. Demonstrators demanded greater political rights, including the freedom to travel. Thousands requested asylum in the permanent representation of West Germany based in East Berlin, as well as the West German embassies in Budapest and Prague. Hungary became all the more attractive in the eyes of citizens of the GDR when Budapest signed up to the United Nation's 1951 Geneva Convention on asylum affairs on 14 March 1989. Originally the Hungarian government had intended that



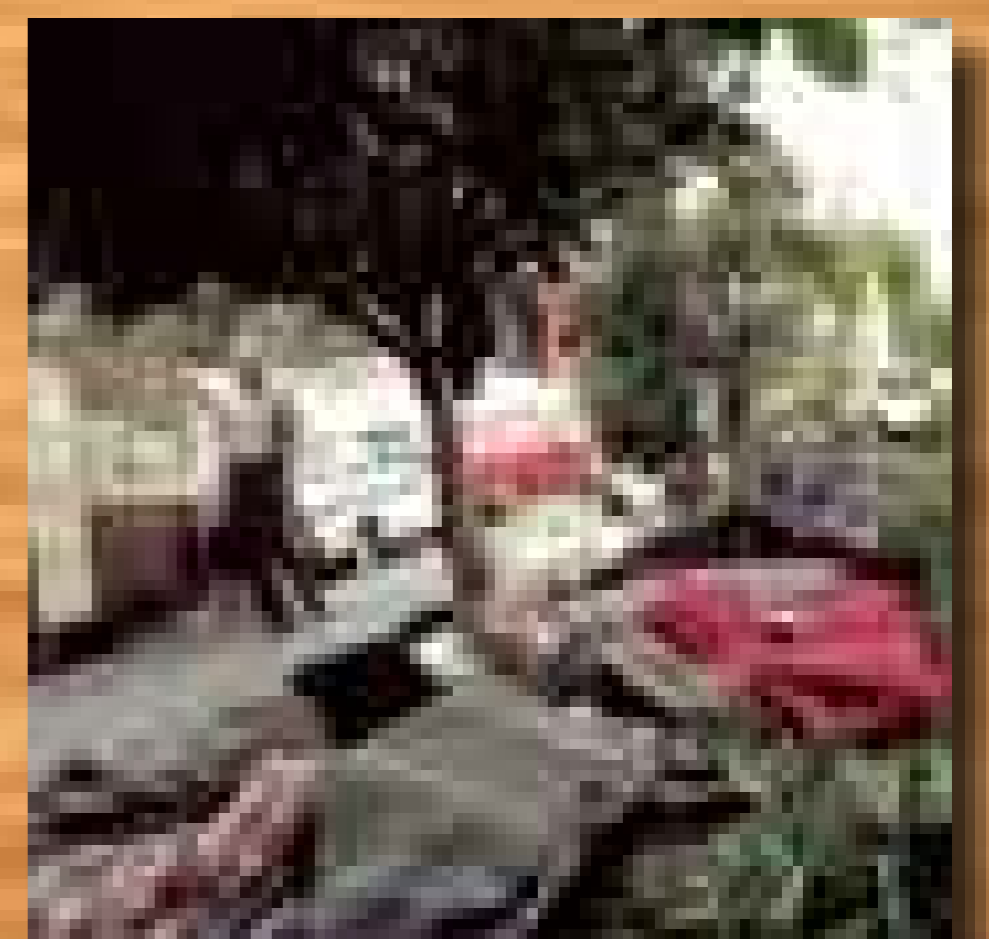
Father Imre Kozma, head of the MMSZ, remembering the border opening at the international conference "The first brick from the Berlin Wall" (2007)



German chancellor Gerhard Schröder laying a wreath at the Shelter Memorial at the Budapest headquarters of the MMSZ (2004)

Prime minister Miklós Németh and foreign minister Gyula Horn travelled to Bonn in secret, where they negotiated with chancellor Helmut Kohl and vice-chancellor and foreign minister Hans-Dietrich Genscher. In the wake of these discussions the Hungarian government determined on a step that would have truly global political consequences: it suspended, unilaterally, implementation of the 1969 Hungary-GDR travel agreement and related confidential annexes. The decision was relayed to the East Berlin government and the Soviet leadership was also informed. The East German government did everything it could to have the decision reversed, but Moscow raised no objections.

On the evening of 10 September 1989, Gyula Horn announced on Hungarian Television that from midnight Hungary would allow citizens of the GDR to travel on to any state willing to authorize their entry or transit.



East German refugees also camped outside the West German embassy in Budapest

# The euphoric night when the border opened



“10 September 1989, when the Hungarian borders opened for Germans arriving from the GDR as well, was a historical milestone for both our states and peoples. On that day, it was Hungary who removed the first brick from the Berlin Wall.” *(Helmut Kohl)*



As the clock strikes midnight, the barrier opens!



We won, we are free!



Hans-Dietrich Genscher presents Gyula Horn with the Charlemagne Prize (1990)

“The border opening of 11 September 1989 was not the result of an unexpected decision but rather the consequence of a several-year-long political-economic reform process, the conclusion of a historically significant process. Leading politicians of the Federal Republic of Germany, chancellor Helmut Kohl, vice-chancellor and foreign minister Hans-Dietrich Genscher, president of the Bundestag Rita Süßmuth, prime minister of Baden-Württemberg Lothar Späth, then prime minister of Bavaria Franz-Josef Strauss and Horst Teltschik, security policy advisor to the chancellor – in close cooperation with the Hungarian government – all played extremely important roles in the formation of the reform process years before the opening of the border.

The decision of the Hungarian government resulted in a sort of domino effect and forced the East German government into making changes. In the final analysis this decision played a large part in the fall of the Berlin Wall and the collapse of the Central-Eastern European communist systems. Without the transformation programme of Mikhail Gorbachev this could not have happened, but it is a fact that it would also have been impossible without the brave, risk-taking Hungarian government headed by Miklós Németh and the foreign minister Gyula Horn. Don't forget: in September 1989 the Yalta agreement of the great powers was still in force, 100,000 Soviet troops were stationed in Hungary, and only the most daring would have considered German unification.”

*(Extract from a speech by Dr. István Horváth, former Hungarian ambassador to Bonn, at the Budapest conference “The first brick from the Berlin Wall”)*

On the “breakthrough night” around 5000 citizens of the GDR joyously crossed the Hungary-Austria border. In the following weeks their number exceeded 60,000.



Miklós Németh and Helmut Kohl in Budapest (1989)

# National Roundtable: preparing for the change of system

During negotiations lasting three months the fundamental principles of constitutional reform and the new system of parliamentary elections were worked out



From spring 1989 events began to speed up and it became increasingly evident that the party state would be forced to give up its positions; moreover, the question was not one of a change of model but rather a complete change of system. The National Roundtable that sat from 13 June – 18 September 1989 had a definitive role in deciding the future shape of the country. The negotiating parties were the MSZMP, members of the Opposition Roundtable and the so-called third side (trade unions, Patriotic People's Front and other social organizations). József Antall, director of the Semmelweis Museum of Medical History, represented the MDF; after the free elections of 1990 he became the prime minister of Hungary.

During his visit to Budapest, US president George Bush met separately with representatives of the opposition parties on 12 July 1989

Initially the MSZMP employed delaying tactics, and this only changed when Imre Pozsgay took over leadership of the delegation. An agreement was announced on 18 September in which the participants concurred on the fundamental principles of six cardinal laws: modification of the Constitution valid since 1949, introduction of the institution of constitutional court, regulation of the operation and management of parties, a new system of parliamentary elections, redrafting of the criminal code and law on criminal procedure. There was no consensus on a few issues, for example the timing and method of electing the head of state, which is why the Free Democrats (SZDSZ) and FIDESZ refused to sign the agreement, although they did not veto it either, so it entered into effect with the signatures of the other negotiating partners.



In the second stage of negotiations the MSZMP delegation was headed by Imre Pozsgay (second from right)



The Németh government took the proposals of the National Roundtable and turned them into concrete laws. The draft bills were approved by the old parliament elected in 1985.

The opposition delegation. In the centre is György Szabád, later to become speaker of the first democratically elected parliament

# Proclamation of the Republic

## 23 October 1989

Act XXXI of 1989 modifying the Constitution initiated fundamental changes. Hungary was transformed from a people's republic to a republic in which the principles of civil democracy and democratic socialism were asserted. (The expression referring to democratic socialism was deleted from the Constitution by the parliament elected in 1990.) The Constitution provided extensive guarantees of the rights of freedom of citizens. It banned behaviour directed towards the exclusive control of power, it eliminated the "leading role of the working class Marxist-Leninist party", and it declared the multi-party system. From an economic perspective it targeted the creation of a market economy in which "public property and private property are of equal rank and enjoy equal protection," and which "recognizes and supports the right of enterprises and free competition". The Presidential Council was abolished and the post of president of the republic was formed. The modified Constitution delimited the sphere of authority of the head of state and declared that parliament elects the president of the republic. At the same time it stated that if the selection of the position of head of state is to happen before general elections for a new parliament, then the president of the republic is to be chosen by direct popular ballot for a four-year term. However, the result of a referendum initiated by the SZDSZ and staged on 26 November ruled out this possibility.

### A crowd of 100,000 celebrated in Kossuth Square in front of Parliament

The modified Constitution was promulgated on 23 October 1989, the 33<sup>rd</sup> anniversary of the outbreak of the 1956 Revolution. On the same day Mátyás Szűrös, speaker of the National Assembly delegated by the MSZMP, proclaimed the republic and became provisional president of the republic from this moment.



Happy crowds gathered to witness this historic moment

The party state, state socialism, in both the legal and actual senses, gradually ceased to exist as a consequence of laws passed in the course of autumn 1989. After a 40-year detour Hungary returned to the path that had been marked out by István Széchenyi, Lajos Kossuth and Ferenc Deák, 19<sup>th</sup> century founding fathers of a parliamentary Hungarian state.

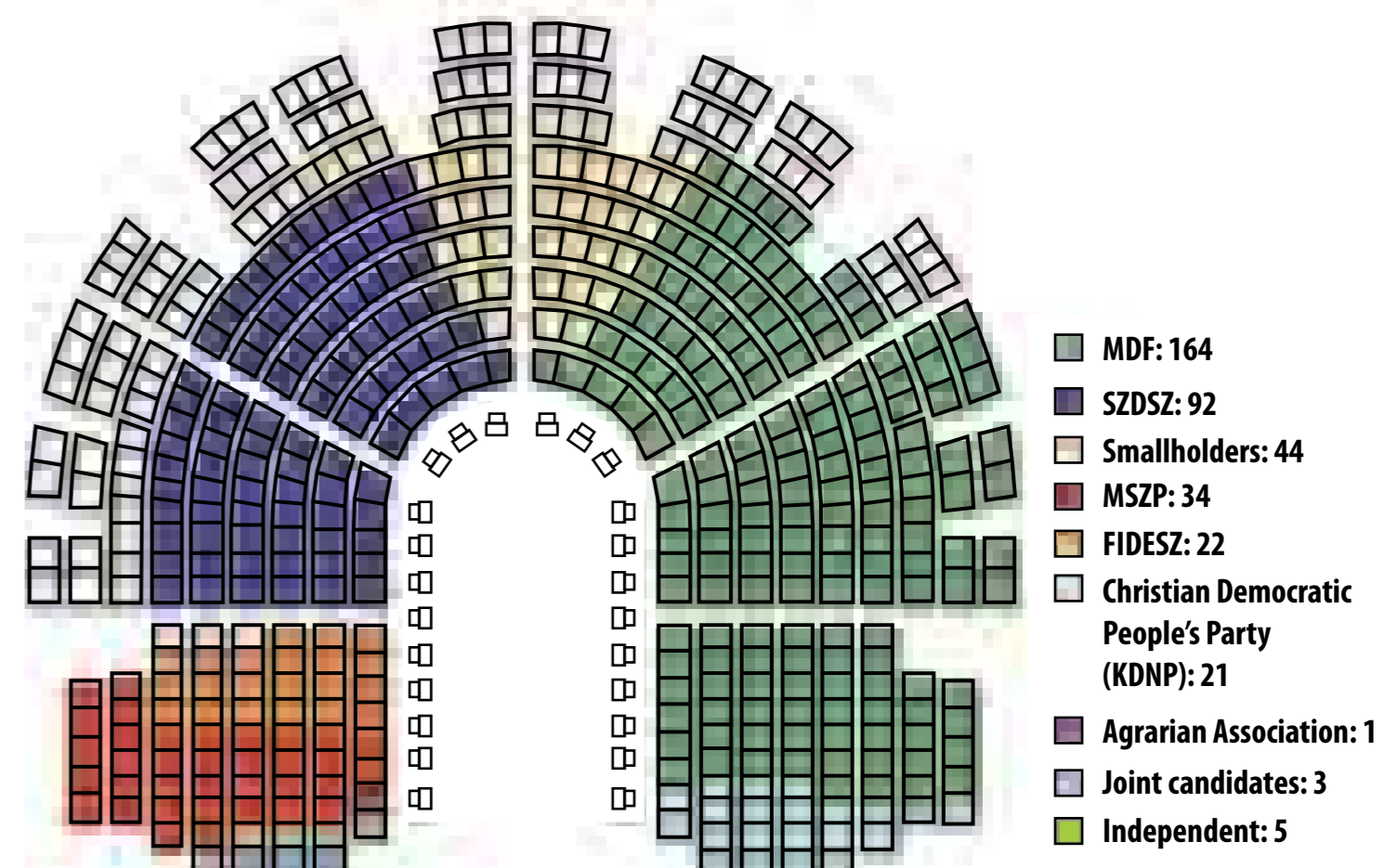


Mátyás Szűrös announces that "Hungary is a republic" from the balcony of the speaker's office in parliament

# The first democratic parliament



Allocation of mandates in 1990



## Elections brought victory for the Hungarian Democratic Forum

The crisis and division in the MSZMP peaked at the 14<sup>th</sup> party congress between 6-8 October 1989. Reformers established a new party, the Hungarian Socialist Party (MSZP), under the leadership of Rezső Nyers, while the minority continued to avow themselves members of the MSZMP with Károly Grósz at the head.

Prior to the elections set for 25 March 1990, a fierce political clash broke out between the MSZP, considered the successor party of the communists, and the other parties. At the same time, in the struggle for power antagonism between the MDF and SZDSZ heightened. During the election campaign the SZDSZ professed themselves to be a radical regime-changing, strongly anti-communist and modern-minded European party, while the József Antall-led MDF declared themselves to be a conservative-national "steady strength" rooted in the Hungarian past and traditions.

**Tovarichi, konyec!**  
**It's over, comrades!**  
– is the slogan, in Russian, of the most striking poster of the election campaign. The last Soviet soldier, lieutenant-general Viktor Shilov, left Hungary on 19 June 1991



Twelve parties entered the elections. Six parties dropped out after the first round having failed to surmount the 4% threshold. The elections resulted in 95% of the parliamentary seats being changed.

Miklós Németh greets his successor, József Antall

# Government of the change of system



The coalition government led by József Antall

Foreign policy priorities: building relations with the Euro-Atlantic integration organizations, good relations with neighbouring countries and support for Hungarians beyond the borders



Árpád Göncz was elected president of the republic by the National Assembly on 3 August 1990

The MDF won a relative majority in the general election and thus the right to form a government. József Antall created a coalition government in partnership with the Smallholders' Party and the KDNP. The government swore the oath of office on 22 May 1990 and started putting its programme into effect. The newly constituted parliament approved the old crowned coat of arms as the coat of arms of the republic. Agreement between the MDF and SZDSZ allowed laws requiring a two-thirds majority to be passed, and writer Árpád Göncz was elected president of the republic.

Antall termed his administration the "kamikaze government" after it took over an economy in crisis and found itself forced to push through many unpopular measures. Transformation of the political and economic institutional system and structures came up against difficulties. Unemployment and inflation climbed, and a way had to be found of compensating those who had lost assets under socialism. The pace of privatization and the transformation of agricultural cooperatives increased. The government was faced with new tasks providing small farmers with access to land and machinery. The foreign policy priorities of József Antall have, albeit with differing emphases, been in essence validated in the policies of the different governments over the two decades since.

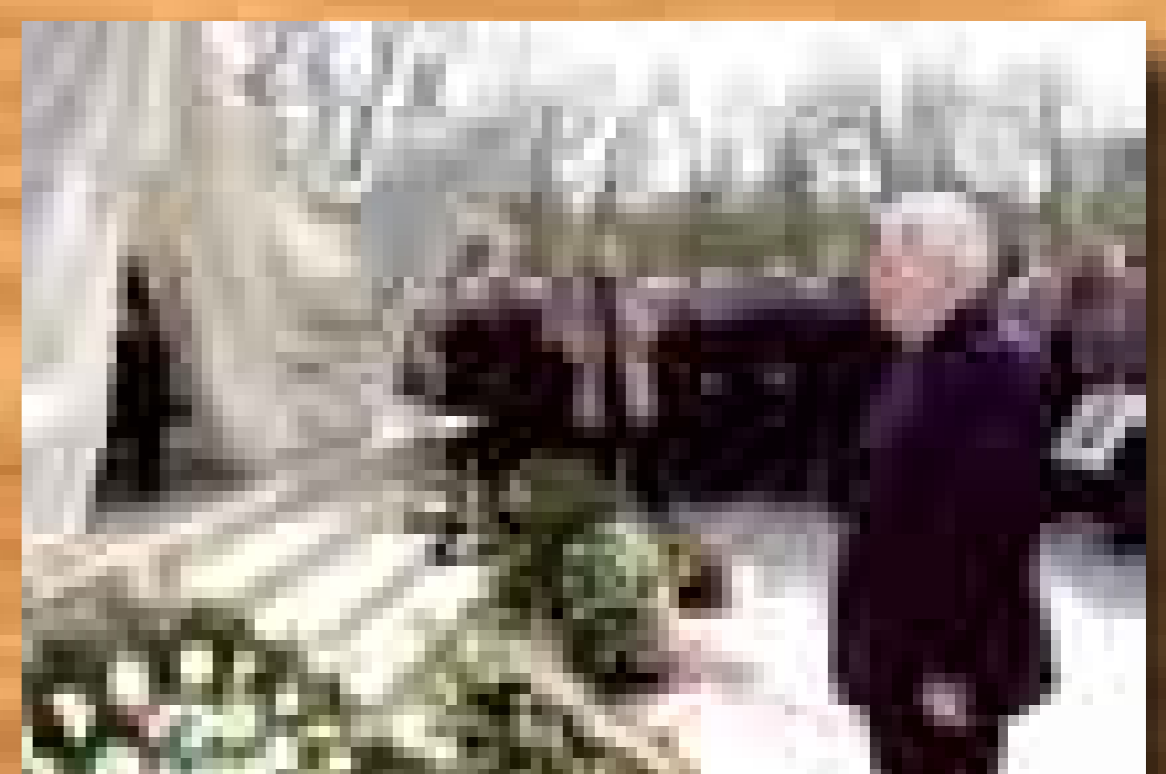
The majority of the population felt a sense of disappointment because they had expected the change of regime to improve their financial situation. Ideological disputes between the opposition and the governing parties as well as the so-called media war also contributed to the government's loss of popularity. On 13 December 1993, after enduring a serious illness, József Antall died. His successor as head of the MDF and the government was Péter Boross. However, he proved unable to reverse the negative tendencies before the next general election on 8 May 1994.



In Prague, the Hungarian prime minister signs the document dissolving the Warsaw Pact



The heads of Hungary, Czechoslovakia and Poland agree on a new regional grouping in Visegrád on 15 February 1991



Péter Boross at the tomb of József Antall



## Bilateral treaties with neighbouring countries

### Accession negotiations with NATO and the European Union start



Horn Gyula presents the government to president of the republic Árpád Göncz

At the second democratic elections the Gyula Horn-led MSZP received 209 seats. Sixty-nine SZDSZ, 38 MDF, 26 Smallholder, 22 KDNP and 20 FIDESZ representatives also got into parliament. The new coalition government, in which SZDSZ politicians also received portfolios, was formed on 15 July 1994.

The government started dealing with the economic crisis later than necessary, only in March 1995. The austerity measures associated with finance minister Lajos Bokros were welcomed by the international financial institutions and investors but in Hungary they received considerable flak from politicians and economists, while the Constitutional Court struck down several elements of the “Bokros package”. Subsequently, it is generally agreed that this programme contributed to stabilization and economic growth that started in 1996.

In the area of foreign policy the Horn government attempted to speed up the accession process to Euro-Atlantic organizations. Bilateral treaties were signed with Slovakia and Romania, in which it was declared, among other issues, that Hungary accepted the current borders; the intention was to improve the situation of Hungarian national minorities living in the two neighbouring countries. The contract signed with the Holy See guaranteed the conditions for the independent operation of the Roman Catholic Church in Hungary.

Corruption scandals over privatization deals, the worsening public security situation, for instance bomb attacks associated with figures in the black economy, and friction between the coalition partners foreshadowed another change of government in Hungary in 1998.



The American military base established in 1995 at Taszár played an important role during the Yugoslavia crisis. Later, Iraqi volunteers were trained here



Underworld settling of scores shook public confidence



## Hungary as a NATO member

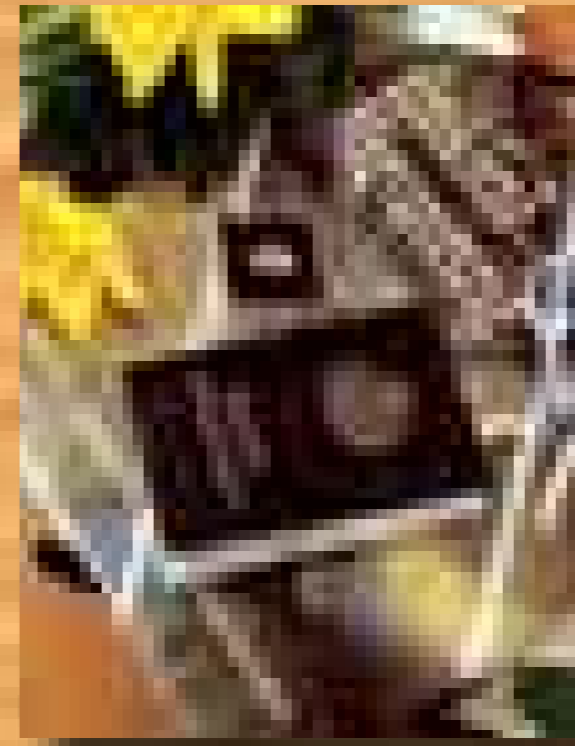
The Hungarian ID issued to Hungarians living in neighbouring countries entitled holders to benefits in the mother country



**Viktor Orbán after the FIDESZ election victory**



**Head of state Ferenc Mádl presents a Millennium standard in Székesfehérvár**



**Hungarian ID**

After the elections of 10 May 1998 a coalition government – headed by Viktor Orbán – comprising FIDESZ, the MDF and KDNP was formed. On 6 July 1998 Parliament approved the nomination of prime minister and the action plan “On the Threshold of a New Millennium – government programme for a civil Hungary”.

As the turn of the millennium approached, year after year the Hungarian economy took increasing strides forward. The government was particularly successful in reducing the budget deficit and cutting the rate of inflation. Upping the minimum wage and providing housing loans on favourable terms had positive social impacts. The economic stimulus package bearing the name of 19<sup>th</sup> century Reform-age politician István Széchenyi provided primarily small- and medium-size enterprises with financial resources through a tender system. The Mária Valéria Bridge over the Danube at Esztergom, which had been blown up during the Second World War, was rebuilt with Hungarian-Slovak-EU financing. During this period several major cultural investments also got off the ground: construction of the National Theatre and Palace of Arts, and the opening of the Millenáris leisure complex.



Under the Orbán-government Hungary joined NATO and there were intensive preparatory negotiations on EU membership. The Status Law was designed to provide material and intellectual support to citizens of Hungarian nationality living as minorities in neighbouring countries.

In 2000, celebrations were held to mark the 1000<sup>th</sup> anniversary of the foundation of the state when King St Stephen was crowned. Spectacular Millennium programmes were organized by local communities throughout the country.

**Inauguration of the Mária Valéria Bridge**

# Accession to the European Union



Euro-Atlantic integration was complete:  
on 1 May 2004, Hungary became a member of the European Union



Prime minister Péter Medgyessy and foreign minister László Kovács signing Hungary's EU accession document in Athens on 16 April 2003

After the formation of the Medgyessy government, which won the elections with a "welfare change of system programme", and in order to reduce social tension, public employees were given an average 50% wage increase, the lowest pensions and university scholarships were raised, and measures introduced to ease the situation of families. However, in time it became apparent that the generous welfare package had no economic basis, and Hungary's later problems of equilibrium were due in large part to these decisions. The planned date for the introduction of the euro in Hungary was modified several times before finally being deferred.

At elections for the European Parliament held on 13 June 2004 FIDESZ took 12 seats, the MSZP nine, SZDSZ two and MDF one seat. The relatively weak showing of the MSZP, a loss of popularity in the leading governing party and heightened differences with the coalition partner resulted in Medgyessy – citing the lack of confidence he enjoyed – submitting his resignation on 25 August 2004.

After the elections of 7 April 2002 Péter Medgyessy, the MSZP prime minister-designate, formed a government. The MSZP and SZDSZ entered into coalition for the second time.



From 2002 motorway construction stepped up a gear in Hungary



In 2004 the first elections in Hungary to the European Parliament were won by FIDESZ

# Reform attempts and crisis management



Megyeri Bridge, opened in 2008, improves transport conditions in the north of Budapest

## The global crisis magnifies the difficulties of the troubled Hungarian economy



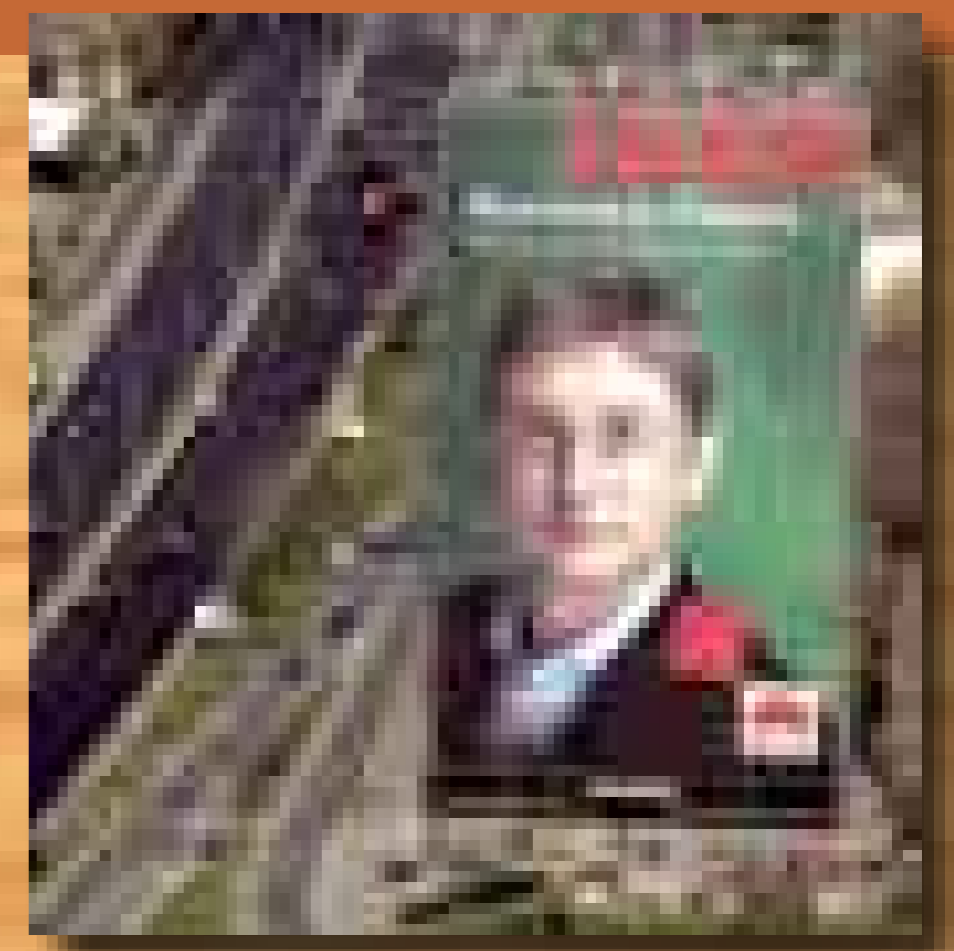
László Sólyom has been the president of the republic since 5 August 2005



The majority of voters in a referendum on 9 March 2008 rejected the introduction of university tuition fees, the visit charge for doctors and a daily hospital charge

The MSZP prime minister-designate was accepted by the SZDSZ, thus paving the way for the coalition government to continue. Ferenc Gyurcsány took the oath of office on 29 September 2004. In the wake of the general elections on 9 April 2006 these two parties continued to govern.

In the period of the Gyurcsány governments Hungary smoothly integrated into the European Union. Considerable infrastructural developments occurred: motorways and bridges were built, and the modernization of the railways was continued. However, even with financial resources arriving from Brussels the pace of economic growth remained low, the budget deficit increased as did the country's debt burden. The extremely tense relations between the government and opposition hindered consolidation of the economic situation. At a referendum on 4 December 2004 the governing parties opposed Hungarians living in the neighbouring countries being granted dual citizenship. A speech made by the prime minister at a closed-door party conference, which was leaked to the media in September 2006, caused domestic political tension. During autumn 2006 there were street riots in Budapest. A referendum on 9 March 2008 rejected a payment charge imposed on certain health services and the university tuition fee. In the spring of 2008 the SZDSZ, citing the shutdown in reforms, pulled out of the coalition, since when the MSZP has governed in a minority.



Ferenc Gyurcsány election poster



The government's corrective measures improved the economic balance and lowered inflation. In an effort to protect the country against the impacts of the financial and economic global crisis that erupted in autumn 2008, the government signed an agreement with the International Monetary Fund and the European Union. At the same time it started working on extensive crisis management and economy stimulation measures, and initiated political and social consultations to debate potential methods of application.

Dominique Strauss-Kahn, managing director of the International Monetary Fund, in Budapest on 13 January 2009



# Developments in Hungary and abroad

## Civil and military assistance to Afghanistan



### **We have something to be proud of! – advertising slogan of the New Hungary Development Plan**

Hungary receives development funding from the EU Cohesion and Structural Funds. In the 2004-2006 period HUF 670 billion (supplemented with domestic budget resources) was made available for the objectives of the National Development Plan (NDP). The NDP balance sheet as at 5 January 2009: of 42,440 applications submitted 19,959 projects were assessed eligible for funding to a total value of HUF 727 billion. So far HUF 677 billion in grants has been disbursed to 18,726 projects. Number of completed and fully accounted projects: 11,940.

Between 2007 and 2013 Hungary is eligible for €22.4 billion in EU support to promote convergence with the developed countries. In the interests of increased employment and creating the conditions for sustainable growth the New Hungary Development Plan (NHDP) launched harmonized state and EU developments in the following priority areas: renewal of the production sector, transport and society, environmental protection, energy, regional development and state reform.

Hungary not only receives funding but, as a member of the Euro-Atlantic community, it also takes part in various international military and civil missions. A programme running until 2010 provides the framework for Hungarian international development cooperation. One of the primary target countries is Afghanistan, where Hungary is an active participant in several humanitarian and economic projects. Hungarian soldiers also serve in Afghanistan as part of the NATO contingent.

Between 1 January – 30 June 2011 Hungary will hold the rotating presidency of the Council of the European Union, in close cooperation with the other two members of the presidential trio, Spain and Belgium, who will hold the presidency in 2010. Preparations for the role of presidency of the Council have started and are on schedule.



**Hungarian soldiers contribute to maintaining international security in foreign missions**



**Geothermal heating centre set up with EU funding**



# Farewell to the borders

Redundant Hungary-Austria border crossing facilities at Bucsú being demolished

Hungary became part of the Schengen Area on 21 December 2007



Removing the border crossing barrier at Felsőregmec on the Hungary-Slovakia border



Controls at Hungary's borders with Slovakia, Austria and Slovenia are closed down. Celebration in Torniosnémeti



José Manuel Barroso, president of the European Commission, speaking at Hegyeshalom

For decades Hungary's western and southern borders were blocked by the Iron Curtain. Anyone trying to escape to the West was in mortal danger. The physical border was dismantled in the spring and summer of 1989. The Budapest government of Miklós Németh permitted tens of thousands of East Germans to travel through Hungary into Austria and then on to West Germany. Today, this is all history. The most spectacular results of the change of system and Hungary's Euro-Atlantic integration are perhaps most evident when crossing the border.

On 21 December 2007 Hungary became an integral part of the Schengen Area. For Hungarians, personal controls on the internal borders of the EU no longer exist, borders can be crossed anywhere and at any time, and not just at the designated crossing points. Part of the eastern rim of the Schengen zone runs along Hungary's eastern border, thus Hungary bears responsibility for the protection of this border section and monitoring the citizens of non-Schengen states wishing to enter the country.

In the spirit of cooperation and efficiency, Hungary operates a Common Visa Application Centre (CAC) in its embassy in Chisinau. Citizens of the Republic of Moldova wishing to travel to Austria, Denmark, Estonia, Latvia, Sweden and Slovenia can arrange their visas here.

An important milestone was reached in 2008: a long-awaited decision was taken in Washington under which the United States of America waived visa requirements for citizens of Hungary, the Czech Republic, Estonia, Latvia, Lithuania, Slovakia and Korea. Regarding the measure coming into force on 17 November 2008, Hungarian foreign minister Kinga Göncz said, "I believe that, in a certain sense, a visa-free America was the final step in the dismantling of the Iron Curtain."



Hungarian foreign minister Kinga Göncz with EU commissioner Franco Frattini and Moldovan head of state Vladimir Voronin opening the Combined Visa Application Centre of seven EU countries in the Hungarian embassy in Chisinau on 25 April 2007



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AUTHOR AND PICTURES SELECTED BY  
ENDRE SZALIPSZKI

LAYOUT  
ANDRÁS VIRÁGVÖLGYI  
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