

A NEW CHAPTER IN THE EU'S RULE OF LAW CRISIS: UNPACKING THE EUROPEAN COMMISSION'S FINANCIAL CONDITIONALITY MECHANISMS AGAINST HUNGARY

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Appendix VI:

Author's Declaration Form (to be included in the final version of the thesis)

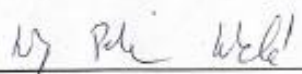
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Abstract

This paper explores five competing theories explaining the EU's most recent policy stage responding to the rule of law crisis prompted by Hungary's democratic backsliding. These hypotheses are based on the EU's past inaction and their explanatory value is tested in a series of events regarding the Commission's application of financial conditionality mechanisms over two years. Empirical evidence relies on eight interviews with Hungarian journalists who closely observe EU actions. The study finds that despite the supranationalization of rule of law policy and the Commission's crucial role in applying material sanctions, the EU's intergovernmental characteristics – specifically, the influence of member states and political deals resolving Hungary's veto threats – primarily determine the Commission's actions. Member states drive the EU's more active response due to the increasing political salience of democratic backsliding and Hungary's political isolation, caused by its Russian-friendly stance in the war in Ukraine. The paper concludes that while the European Parliament is the strongest advocate of Hungary's punishment, its influence is only considered before election periods. Evidence from interviews demonstrates that the development of rule of law instruments does not explain the Commission's actions.

Table of Contents

1. Introduction.....	1
2. Literature Review, Theory and Hypotheses.....	3
3. Policy Context and Observed Events.....	9
4. Research Design, Methods and Data	11
5. Interview Findings: Explaining Commission Action	13
5.1. The Development of Rule of Law Instruments	13
5.2. The Commission's Political Will	15
5.3. Partisan Dynamics in the European Parliament	19
5.4. Intergovernmental Influence and Member States' Will	21
5.5. The Opportunity of Political Deals.....	25
6. Discussion.....	29
7. Conclusion	32
8. Bibliography	35

1. Introduction

For over a decade, the European Union (EU) has struggled with an autocracy crisis due to democratic backsliding in member states such as Hungary and Poland. The EU has been reluctant to effectively respond to this crisis. This inaction is attributed to several factors, including the EU's lack of policy instruments, the lack of political will from member states and the European Commission, partisan dynamics in the European Parliament (EP), and national vetoes that enable political deals between backsliding governments and EU actors. From 2020, the introduction of material sanctions through the financial conditionality mechanisms marked a crucial policy change. The EU adopted the Rule of Law Conditionality Regulation to protect the EU's budget. After a two-year delay, in 2022, the Commission initiated the mechanism against Hungary, resulting in the Council's suspension of EU Cohesion funds. Additionally, the Commission withheld funds through the Common Provisions Regulation (CPR) and the Regulation on the Recovery and Resilience Facility (RRF). The combined use of these three instruments has established a comprehensive regime of financial conditionality in the EU (Kelemen 2024).

Using Hungary as a case study, this new policy context provides an opportunity to examine the EU's more active response to the rule of law crisis and to understand the underlying causes and explanations. Specifically, the study explores how previous theories for the EU's past inaction explain the first two years of the application of financial conditionality mechanisms against Hungary between February 2022 and February 2024. The paper aims to investigate how the Commission, as the main institution managing the EU's rule of law response, utilized its financial conditionality tools, and it also seeks to identify the driving forces and the roles of different EU actors in the Commission's actions. From a broader perspective, this research provides a snapshot of how the EU functions in the specific policy area of the rule of law and draws conclusions about the power struggle between the EU's supranational and

intergovernmental features. The paper tests the strength of each explanation which are not mutually exclusive but complementary.

The paper's research question can be summarized in one sentence:

How can the Commission's use of its financial conditionality mechanisms against Hungary be explained?

Empirically, the study relies on eight interviews with Hungarian journalists who write about EU-Hungary relations for Hungarian and international outlets. The journalists' observational perspectives are intended to eliminate potential biases that might arise from the interests of politicians and officials involved in decision-making. This methodology also allows to draw conclusions about the Hungarian media's perspective, specifically how Hungarian journalists interpret the explanations behind the Commission's actions. Since it is not feasible to discover the precise causes behind policy decisions, journalists who closely observe relevant events provide the closest estimates to the explanations. My contribution to the literature is unique as the recent nature of the topic enables a first-of-a-kind analysis of actual events. Moreover, the study offers a fresh snapshot through the lens of Hungarian journalists, providing a perspective that is distinct from existing international literature.

The study is structured as follows. Building on previous literature, the paper develops five hypotheses to explain the Commission's actions. Subsequently, it presents a series of events where these hypotheses can be tested. Following the discussion of the data and methodology, the research examines the interview findings and analyzes the explanatory potential of each hypothesis to draw conclusions.

2. Literature Review, Theory and Hypotheses

Since Viktor Orbán came to power in 2010 and started dismantling Hungarian democracy, the EU has found itself in an ‘autocracy trap’. The literature on European public policy agrees that the EU’s inaction and substantial funding to the backsliding member states have contributed to the Union’s ‘autocratic equilibrium’ (Kelemen 2020). Scholars have identified various factors that explain the EU’s reluctance to effectively sanction these member states. Reviewing these factors and the EU’s policy development in the rule of law helps to understand these underlying processes and contributes to developing the paper’s hypotheses.

The development of the EU’s rule of law regime can be analyzed in three stages. First, the surprise of Hungary’s democratic erosion led EU actors to take a cautious approach, resulting in minor policy actions, including a few infringement procedures. In 2013 and 2014, the Commission established a Justice Scoreboard to review the independence of national judicial systems and introduced the Rule of Law Framework to initiate a dialogue between the Commission and the backsliding member state. In 2014, the Council established the Annual Rule of Law Dialogue, an annual consultation aimed at safeguarding the rule of law (Kelemen 2023). While these symbolic actions had no effect on Hungary, in 2015, the PiS (Law and Justice) government in Poland joined Hungary in the EU’s autocratizing camp, marking the beginning of the second stage in the EU’s rule of law actions.

This development prompted slightly stronger measures, as the Commission triggered the Article 7 mechanism against Poland in 2017 but not against Hungary. The inaction against Hungary provoked general criticism, and it was the European Parliament that finally started the Article 7 procedure against Hungary in 2018 (Closa 2019). However, the Article 7 mechanism, which can suspend a member state’s voting rights in the Council, is considered a “nuclear option” that member states are reluctant to use. To determine a “clear risk of a serious breach” of the values

outlined in Article 2 of the Treaty on the European Union (TEU) values, a four-fifth vote in the Council is required. For the next phase, the suspension of voting rights, unanimity in the European Council is necessary, excluding the participation of the backsliding government. Member states fear that the mechanism can turn against them, therefore the Article 7 mechanism has never moved beyond the activation phase (Sitter & Bakke 2019).

The practical inapplicability of Article 7 led to a new stage in EU rule of law policy, where the EU has turned to the utilization of material sanctions. Reviewing the reasons behind the EU's past inaction helps develop hypotheses to explain the EU's latest policy stage.

A logical explanation for the EU's inaction is its lack of appropriate policy instruments and competences to effectively respond to the rule of law crisis. Sitter and Bakke (2019) emphasized that the EU's rule of law toolbox is limited when dealing with backsliding. According to Kelemen (2024), in the early years of the rule of law crises, the argument that the EU lacked the necessary competences seemed plausible and powerful. The EU's efforts to create new policy instruments further supported this view. Nevertheless, Emmons and Pavone (2021) argue that the 'lack of tools' argument is only part of a 'rhetoric of inaction'. They suggest that EU actors, including the Commission, emphasize this explanation as an excuse to justify their reluctance to act against backsliding governments. Kelemen (2023) points out that the EU had unused tools, including material sanctions, which were not utilized due to the lack of political will from member states and the Commission. Similarly, Sedelmeier (2017) highlighted that the limitations of hard sanctions like Article 7 stem from the absence of political will, resulting in cycles of creating new tools. The creation of the new Conditionality Regulation is a clear indication of the EU's development of new instruments. As Kelemen (2023) argued, the limitations of hard sanctions were due to member states' reluctance, and it was also member states who initiated the development of the new mechanism. Therefore, the argument for the

development of tools refers back to the EU's intergovernmental characteristics. However, a crucial aspect of the new instrument is that member states mandated the Commission to enforce rule of law compliance through material sanctions, indicating the supranationalization of EU-level rule of law enforcement (Priebus & Anders 2023). Priebus and Anders claim that since the Council's vote is required to withhold funds, the EU's new mechanism combines intergovernmental and supranational decision-making. Based on these arguments, I outlined the first hypothesis.

H1. The European Commission's actions can partly be explained by the development of its policy instruments.

A second explanation for the EU's inaction is the lack of political will within the Commission to effectively sanction backsliding governments. Kelemen and Pavone (2023) demonstrated that the number of infringement proceedings initiated by the Commission significantly decreased over time. Although the Commission, as the guardian of the treaties, is responsible for law enforcement, it has been reluctant to launch infringement procedures and bring member states before the European Court of Justice (ECJ) since the mid-2000s. The authors term this relaxed law enforcement strategy 'supranational forbearance'. The Commission hoped that by exercising its policy of 'forbearance', it could counterbalance the intergovernmental opposition of member states against its policy agenda. Closa (2019) also demonstrated that the Commission prefers engaging with member states through dialogue and persuasion rather than enforcement mechanisms to gain intergovernmental support for its supranational policies. This approach led to the reduction of infringement procedures and the underutilization of material sanctions. However, the Commission's use of financial conditionality after 2022 indicates a shift in its political will, captured by the second hypothesis.

H2. The European Commission's actions can partly be explained by its own political will.

Another supranational aspect of the autocracy crisis is the influence of partisan dynamics in the European Parliament. Kelemen (2020, 2024) argues that the EU has been reluctant to sanction Hungary because the European People's Party (EPP) shielded Hungary's governing party, Fidesz, to maximize its votes in European elections. The EPP needed the large number of MEPs provided by Fidesz. This protection is evident in the opposing votes of EPP politicians against negative reports on Hungary's democratic backsliding, including the Tavares (2013) and the Sargentini (2018) reports. An additional aspect of the EPP's protection was the influence of Angela Merkel's CDU-CSU coalition, also part of the EPP, which exerted partisan pressure on the Commission. The EPP-dominated Juncker Commission refused to activate sanctions against Hungary due to this partisan protection. This also explains why the Commission initiated the Article 7 procedure against Poland but not Hungary. The governing PiS party was not a member of the EPP, while the opposition Civic Platform was. (Sitter & Bakke 2019). In 2021, Fidesz left the EPP group and lost its protection, prompting a majority in the EP to demand stronger sanctions against Hungary. The politicization of democratic backsliding within the EP, the only institution directly representing EU citizens, introduced a stronger political pressure on the Commission, as explored in the third hypothesis.

H3. The European Commission's decisions can partly be explained by the influence of partisan dynamics in the European Parliament.

An explanation related to the intergovernmental features of the EU contains member states' resistance to applying rule of law sanctions. As I demonstrated with the example of the Article 7 procedure, member states lacked the political will to criticize each other and remained reluctant to interfere in other countries' internal affairs. This sovereigntist approach stems from

a fear that establishing a precedent for rule of law sanctions might one day backfire on member states. Additionally, the governments of Hungary and Poland took advantage of their veto position jeopardizing consensus in the Council to protect each other from the EU's rule of law intervention (Kelemen 2024). Relatedly, Closa (2019) found that the Commission anticipates the effects of its decisions and the support from member states in the Council before proceeding with rule of law sanctions to avoid resistance. Consequently, member states' policy preferences, domestic political considerations, and the composition of the Council and the European Council are crucial factors in the Commission's rule of law policy. The most recent literature has found that from 2022, since the EU started using material sanctions, the increased transnational salience of the issue of the rule of law (Blauberger & Sedelmeier 2024), and Hungary's political isolation in the Council due to Hungary's Russian-friendly position were important factors in member states' more active policy response to the autocracy crisis (Hernández & Closa 2024). The fourth hypothesis tests the explanatory value of these arguments.

H4. The European Commission's actions can partly be explained by the influence of member states and intergovernmental dynamics in the Council and the European Council.

A further intergovernmental feature explains the reluctance of EU actors. Since key EU decisions require unanimity, backsliding governments could deploy national vetoes to block European cooperation in the Council and to blackmail EU leaders not to apply sanctions against them. This veto potential increased over the years as the EU faced several crises requiring unanimous responses, such as the Eurozone crisis, the refugee crisis, and Brexit (Kelemen 2024). As Winzen (2023) found, if an opportunity opened, Hungary and Poland utilized their bargaining position in the Council to protect themselves against sanctions. With the application of financial conditionality sanctions, Hungary continued to use its veto power and EU actors engaged in political deals when opportunities opened. With the EU's newest crisis, the Russian

aggression against Ukraine, Hungary remained alone in its veto position, as Poland's anti-Russian stance and the change in Poland's government in the fall of 2023 stopped Poland's vetoes. The fifth hypothesis investigates the role of Hungary's vetoes.

H5. The European Commission's actions can partly be explained by the opportunity of political deals between Hungary and EU actors.

A summary of the hypotheses and the expected observations can be found in Table 1.

Table 1. Summary of hypotheses and expected observations

Hypothesis	Expected Observations	EU Institutional Feature
H1. Development of tools	Journalists describe the limits of the EU's rule of law toolbox and refer to the development of new instruments in Commission action.	Intergovernmental
H2. Commission's will	Journalists explain Commission action in relation to the Commission's will by describing the Commission's political considerations, aspiration for greater leverage, predictable and effective law enforcement, and the role of Commissioners and internal bureaucracy.	Supranational
H3. Partisan influence from EP	Journalists refer to the influence of strong partisan demands in the EP in Commission action. They explain that the Commission considers pressure from the EP in its decisions.	Supranational
H4. Member states' will	Journalists refer to the influence of member states in Commission action in relation to the member states' domestic and EU-level political motivations and the composition of the Council.	Intergovernmental
H5. Opportunity of political deals	Journalists point out potential political deals around key RoL decisions where Hungary lifts its veto in the Council in exchange for a favorable decision on EU funds. Observers describe the lack of solid documentation and time inconsistency in Commission action.	Intergovernmental

3. Policy Context and Observed Events

For testing the hypotheses, this section explains the policy context of financial conditionality and introduces a series of key events and decisions of the Commission regarding these mechanisms between February 2022 and February 2024. The events serve as observational points to capture how the explanatory potential of each hypothesis functions in different contexts. The interview questions are also organized around the decision points as interviewees were asked to comment on these events.

In the first event, I investigate why the Commission decided to wait for the ruling of the ECJ on the legality of the Rule of Law Conditionality Regulation until February 2022 before initiating the mechanism. In December 2020, the Council adopted the regulation, which entered into force in January 2021. Although Hungary and Poland challenged the mechanism at the ECJ, it was legally applicable from its adoption according to EU law. Nevertheless, the Commission did not trigger the regulation until April 2022. In its official explanation, the Commission argued that it would not apply the mechanism until it established guidelines for implementation based on the ECJ's proceedings (Kelemen 2024). In the second event, I explore why the Commission did not initiate the mechanism until after the Hungarian elections in April 2022, as the ECJ issued its proceedings already in February 2022.

In a sequence of events in December 2022, EU actors suspended Hungary's funds through three regulations. The research first examines the Recovery and Resilience Facility (RRF), the EU's Covid-19 recovery fund. Since the summer of 2021, when Hungary submitted its plan, the Commission delayed its approval and the disbursement of €5.8 billion. In November 2022, the Commission finally approved Hungary's RRF plan but made the funds conditional on the fulfilment of rule-of-law-related and other milestones. In December 2022, the Council suspended €6.3 billion under the Conditionality Regulation and the Commission withheld €22

billion EU funds from the 2021-2027 budget under the Common Provisions Regulation (CPR). This suspension included the €6.3 billion already suspended under the Conditionality Regulation. By the end of 2022, the EU withheld over €28 billion funds from Hungary (Blauberger & Sedelmeier 2024). While the Conditionality Regulation suspended funds to protect the Union's budget from corruption, the 'country specific recommendations' attached to the recovery funds and the 'horizontal enabling conditions' attached to the cohesion funds required Hungary to maintain judicial independence and comply with the Charter of Fundamental Rights (Kelemen 2024).

Finally, the research investigates the Commission's decision in December 2023 to release €10.2 billion from the funds suspended under the CPR. The Commission concluded that by adopting reforms, Hungary fulfilled the enabling conditions for judicial independence (European Commission 2023). The announcement came just one day before the European Council's summit, where European leaders voted on Ukraine's candidate status. Viktor Orbán had threatened to veto Ukraine's candidacy but ultimately abstained. However, he continued to veto the EU budget reform necessary to grant Ukraine a financial package (Henley 2023). Subsequently, the European Council convened in February 2024, during which Orbán lifted his veto, thereby allowing Ukraine's financial aid to proceed (O'Carroll 2024). News reports suggested that this decision was potentially influenced by an offer from Giorgia Meloni for Fidesz to join the European Conservatives and Reformists (ECR) in the European Parliament (Moens et al. 2024). The time coincidence of the Commission's decision and Hungary's vetoes necessitates to observe these events together. For a timeline of events see Table 2.

Table 2. Timeline of observed events	
Date	Event
Feb. 2022	ECJ decision on the legality of RoL conditionality regulation
Apr. 2022	Commission's activation of RoL conditionality regulation
Nov.-Dec. 2022	Approval of Hungary's Recovery and Resilience Facility (RRF) plan, submitted in 2021
Dec. 2022	Commission's withholding of EU funds from Hungary's RRF Council's decision to suspend €6.3 bn EU funds (Nov 2022: Commission's proposal to freeze 7.5 bn) Commission's withholding of EU funds under the Common Provisions Regulation (CPR)
Dec. 2023	Commission's release of €10.2 bn from CPR European Council's summit on Ukraine's EU candidacy
Feb. 2024	European Council's summit on EU budget reform (€50 bn financial package to Ukraine) News about an offer from Giorgia Meloni for Fidesz to join ECR

4. Research Design, Methods and Data

To understand the underlying explanations for the Commission's decisions, this paper employs semi-structured interviews with journalists. To validate the hypotheses, empirical evidence from interviews needs to align with the expected observations outlined in Table 1.

The empirical evidence consists of data collected from eight interviews with Hungarian journalists reporting on EU-Hungary relations in prominent Hungarian and international outlets. Following the initial round of interviews with prominent journalists, a snowballing approach was used to identify further interviewees based on the recommendations from the initial participants. Given the limited pool of journalists specialized in this field, my sample is comprehensive, as journalists recommended each other as potential participants. To minimize political bias, the sample includes journalists from both government-critical and government-favorable Hungarian outlets. The interviewed journalists sourced their information primarily by observing relevant events in Brussels and Budapest, and by discussing with decision-makers both in the Hungarian government and EU institutions. These interviews provide an opportunity to uncover the journalists' opinions, observational perspectives, and additional information not found in published articles. One advantage of interviewing journalists, as opposed to decision-

makers, is that the journalists' observational perspective helps to eliminate biases that may arise from the interests and motivations of government and Commission officials.

I conducted semi-structured interviews primarily online in April 2024. All participants consented and were granted anonymity. The conversations were recorded, transcribed and translated from Hungarian to English. The interview questions were structured into two sections. First, interviewees were asked to comment on each event outlined above and to share their views on important factors influencing these decisions. Second, respondents were asked to give their general opinions on the explanations for the Commission's actions over the past two years. The interviews were structured around open-ended questions to capture the depth and richness of responses, including the journalists' original perspectives. When necessary, I prompted examples and potential explanations to elicit information related to specific hypotheses.

Interview transcripts were analyzed using a thematic analysis, a qualitative approach that allows researchers to analyze the richness of responses while controlling for biases and avoiding cherry-picking of quotes supporting prior assumptions (Brennen 2017). I codified the transcribed interview texts by assigning hypothesis-related color codes. Each hypothesis was assigned a specific color, and information in the transcripts was coded into the themes of the five hypotheses. Subsequently, quotes were collected and summarized according to the hypotheses.

Interviews as evidence have limitations, as respondents may have potential biases that affect the information they provide. However, conducting a large number of interviews aims to minimize the impact of positionality. The information from different interviewees can be cross-validated and controlled, helping to ensure the accuracy of the facts and data collected. The consistent responses of the interviewees support the reliability of the findings. To further

increase internal validity, factual information from interviews was verified against other sources such as primary sources and newspaper articles.

5. Interview Findings: Explaining Commission Action

This section presents the findings from the interviews for explaining Commission actions. Although data collection followed the chronological order of events, the interview findings are organized according to the hypotheses. Evidence quotes are summarized in tables using a numbering code from Q1A to Q5E, where the numbers refer to the hypothesis and the letters to the order of the quotes within each hypothesis.

5.1. The Development of Rule of Law Instruments

Evidence supports H1 only at the first two observational points, where a minority of journalists referenced this explanation. Some respondents attributed the Commission's delayed application of the Conditionality Regulation after the ECJ's ruling and Hungarian elections to this hypothesis. Interviewees explained that the Commission waited for the Court's decision to avoid criticism and to ensure the mechanism's legality. Nevertheless, most journalists explained the Commission's delayed action by a political deal.

Despite the limited explanatory power of the hypothesis, some evidence supports the development of tools argument. Interviewees highlighted that the Commission ensured its new instrument's legal acceptance by the Court's backing (Q1A, Q1B). For a new mechanism in EU law, the Commission aimed to adopt guidelines and sufficiently prepare for its application (Q1C). The Commission benefited from judicial review, which strengthened the tool's legitimacy and defined its scope and legal applicability. One journalist pointed out that the Commission waited until April 2022 because it needed time to review the Court's proceedings. (Q1D).

These arguments align with the Commission's official explanation for delaying action (Kelemen, 2024). Emmons and Pavone (2021) argue that the development of tools argument is used by the Commission to delay action due to the lack of political will from the Council. The majority of journalists similarly explain that even before the Conditionality Regulation, the EU had hard sanctions such as the Article 7 mechanism and material sanctions, which were not applied due to political infeasibility (Q1E). This argument aligns with previous literature, as Kelemen (2024) argues that the Commission's suspension of funds under the Common Provisions Regulation proves that the necessary tools existed but were not used without the Council's will. However, many journalists believed that since previous sanctions were ineffective and politically infeasible, the EU had to develop new measures. Respondents agree that the Conditionality Regulation is a sign of the development of policy instruments, and before its emergence, the EU lacked the necessary tools. This argument is consistent with Priebus and Anders (2023), who argue that the Conditionality Regulation represents the first sign of 'effective supranationalism', combining supranational decision-making with enforceable sanctions.

Following these arguments, the main finding is that journalists did not necessarily distinguish between the arguments about the (lack of) instruments and (lack of) political will. They saw that the main reason behind the Commission's application of its existing tools or the development of new ones is the existence of political will. Consequently, I conclude that despite theoretical expectations, the interview findings suggest that hypothesis 1 and 2 are interconnected and cannot be considered separately. Although this hypothesis has the least explanatory value, journalists' opinions clearly revealed that the adoption of the new Conditionality Regulation and its approval by the ECJ are signs of the development of the EU's rule of law toolbox.

Table 3. Quotes for H1

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- Q1A. “This would be a decision of such significance that if the Court had subsequently ruled that it was not lawful, it would have resulted in an extremely embarrassing situation for the Commission.”
- Q1B. “The Commission took extra care to make sure that its new instrument was legally acceptable.”
- Q1C. “It was not in the interest of the Commission to start using a completely new mechanism without being sufficiently prepared for it.”
- Q1D. “The Court has strengthened and weakened the Commission's position on a couple of points. So we would not be sympathetic to the Commission if we did not consider this legitimate reason that a long Court-document really needs to be reviewed. The Commission had to read and interpret it and determine whether they need to change their strategy.”
- Q1E. “The Juncker-Commission already wrote a draft around 2017 on how member states could be sanctioned for rule of law problems. Then they put it away because it turned out that the Council was not receptive to this.”
-

5.2. The Commission's Political Will

Evidence supports H2, with a majority of journalists providing proof for this explanation. However, respondents disagreed on the extent and limits of the Commission's influence. Most reporters believe that the Commission's power is derived from member states, who have the most influence on policy, however, they also provide evidence for the Commission's supranational will.

First, I present arguments against the hypothesis. A minority of journalists believed that the role of the Commission's will is marginal in decisions, emphasizing that, as a bureaucratic executive body without strong political motivations, the Commission is subordinate to the Council and the European Parliament, which represent real political power (Q2A). In the context of the ECJ's ruling, most respondents argued that it was not the Commission's own decision to wait for the proceedings; the institution acted under pressure from the European Council. Member states influenced the Commission due to a political deal from 2020, in which EU countries agreed to postpone its application until the ECJ ruled on the objections. In return, Hungary and Poland lifted their veto on the 2021-2027 budget. Respondents argued that the Commission postponed action with an excuse of adopting guidelines and confirming the tool's legality by

the ECJ, while in reality, it committed to waiting for the proceedings due to the member states' influence (Q2B). This argument aligns with the findings of Kelemen (2024).

Nevertheless, many interviewees added that the Commission's will hypothesis may also be valid, as the Commission might have deliberately waited for the Court's approval to enhance the regulation's legitimacy. The Court also clarified the regulation's scope, empowering the Commission to better address breaches of the Article 2 TEU values. Evidence about the Commission's political considerations also supports the hypothesis. Journalists agree that the Commission waited to initiate the Conditionality Regulation until after the Hungarian elections in April 2022 because it did not want to influence the election campaign. Although it could have started the regulation after the Court's decision in February 2022, the Commission aimed to avoid a "rally-round-the-flag" effect among government supporters and to prevent criticism from the government for interfering in favor of the opposition (Q2C). A key finding is that the Commission's decision to start the mechanism just days after the election results were announced signaled a clear political message of its willingness to apply sanctions. One reporter perceived this aspect as an indication for the Commission's desire for independence (Q2D).

The Commission's will is best demonstrated by its ambition to maximize the leverage of its instruments. The approval of Hungary's RRF plan serves as a good example to illustrate this. Respondents argued that the Commission's decision to approve the plan but make the funds conditional and tied to milestones was logical, as it provided the Commission with room for maneuver. The Commission could require reforms from Hungary, and by accepting the plan late, more conditions could be attached to it (Q2E). Reporters also explained that the approval of the plan could normalize the relationship between the Commission and the Hungarian government which could portray it as a success. The complete loss of funds could have pushed Hungary towards resistance; instead, a clear set of conditions were outlined, which the

Hungarian government could begin to fulfil. Since this act strengthened the Commission's leverage, we can conclude that this decision is a sign of the Commission's own will.

Further evidence for the Commission's leverage lies in its decision to freeze €22 billion under the Common Provisions Regulation (CPR). Journalists confirmed that such a drastic sanction, which froze all of Hungary's Cohesion funds from the 7-year budget except for agricultural funds, was a clear sign that the Commission was willing to pressure Hungary towards reforms. While the Conditionality Regulation only addressed corruption issues to protect the EU's budget, the Commission realized that it can enforce further reforms regarding judicial independence through its other instrument. Findings discussed with regards to H4 challenge the strength of this conclusion, as more journalists argued that the Commission's strong steps represented the political will of member states, who demanded the Commission to apply sanctions. Consequently, a key finding is that it remains challenging to distinguish between the Commission's own will and the will of the member states.

Evidence further supports the Commission's important role in the Commission's decision to release €10.2 billion. Most interviewees agreed that the Hungarian government fulfilled the conditions of the Commission. The Hungarian Parliament adopted the required amendments: they strengthened the independence of the Curia and the National Judicial Office. Respondents explained that the Commission was strict in requiring its conditions: it was not satisfied with 85-95 % performance, it demanded the complete fulfilment of milestones. These arguments indicate the Commission's will in enforcing reforms. Nevertheless, this achievement does not resolve the autocracy crisis: journalists highlighted that enforcing reforms does not restore the rule of law, the aim of financial conditionality is only to achieve positive reforms and control the spending of EU funds (Q2F). A limitation to this explanation is captured by the findings with regards to H5. Journalists share the opinion that the timing of the Commission's decision

to release €10.2 billion was manipulated to create an opportunity of a political deal, where member states and the Commission could ensure that Hungary lifts its veto on Ukraine's candidate status. However, since Hungary genuinely met the conditions and only the timing of the release was influenced by the deal, the Commission's will hypothesis remains a strong explanation.

A few journalists cited the functioning of internal bureaucracy as evidence for the Commission's will. They explained that time discrepancies in the Commission's decisions, which are attributed to the influence of member states' will and political deals in my hypothesis, can also be explained by bureaucratic processes. Disagreements between Commissioners can slow down decision-making, suggesting that the varying priorities of different portfolios may account for these time inconsistencies (Q2G). Additionally, the Commission's careful preparation for decisions on freezing and releasing funds, and checking conditions, aimed to avoid potential accountability problems with the European Court of Auditors or the ECJ if Hungary was to challenge them legally. A new finding not present in the literature is that journalists also emphasized the significant role certain Commissioners play in decisions, implying the importance of the Commission's will. For example, Commissioner Johannes Hahn, responsible for the EU's budget, prioritized freezing funds under the CPR linked to judicial reforms. Hahn also prioritized approving Hungary's RRF plan, fearing that the complete loss of funds could push Hungary towards serious economic difficulties, which the Commission would be responsible for addressing (Q2H). Consequently, these examples provide evidence that the political will in the Commission's internal bureaucracy also drives policy action.

Table 4. Quotes for H2

- Q2A. “I think the Hungarian government's propaganda is trying to pretend that the Commission is an organization with very strong political motivations and wants to represent some political direction. It is essentially an executive body with the Council as its main boss and Parliament as its little boss. They may have initiatives, but they still do what the great member states say. So they are bureaucrats after all, not initiators.”
- Q2B. “Obviously, the European Commission denied the Council agreement and came up with its own explanations that they still had to adopt guidelines and needed time. So they never came up with the idea that we acted under pressure from the European Council, and they never said that. And they've always figured out some excuse.”
- Q2C. “The Commission did not want to interfere in the Hungarian elections, which is a political aspect and, as they say, the Commission does not consider political aspects, but we know that it does, so this is the main reason why they did not act immediately.”
- Q2D. “It could well be that this was the Commission's intention for independence or its desire for independence.”
- Q2E. “If the Commission says that there is no money, how does it enforce any action from the Hungarian government?”
- Q2F. “The reforms have really improved the justice system. However, the goal of the rule of law toolbox is not to dismantle the Orbán government, as Hungarian propaganda claims, but to adjust the laws slightly to help maintain democracy.”
- Q2G. “Disagreement in the Commission and the conflicts of interest within the committees delayed things a bit in time. Taking into account legal and technical work, at the end of the day it is always a political decision, because the commissioners are the politicians whose cabinets decide.”
- Q2H. “It should not be forgotten that the European Commission, and especially the Commissioner for Budgets Johannes Hahn, did not want to take on the odium of destroying a country economically.”
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5.3. Partisan Dynamics in the European Parliament

Journalists explained that despite the EP being the main advocate for rule of law compliance, its influence on policy is limited. They highlighted that the EP's demands for a strict design of the Conditionality Mechanism and its swift initiation against Hungary were set aside by the Commission due to pressure from member states. MEPs aimed to broaden the scope of the mechanism to establish the breaches of the rule of law more comprehensively, but the adopted regulation linked the suspension of funds only to the protection of the EU's budget. The Commission conceded to member states' pressure and political deals by delaying the mechanism and waiting for the ECJ's approval. Parliament's pressure was also ignored in several decisions favorable to Hungary, such as not initiating the mechanism until after the

Hungarian elections in 2022, approving Hungary's RRF plan, and releasing €10.2 billion from the Cohesion funds.

Despite its limited impact, the EP can deploy several tactics to exert pressure. Its main weapon is the public; as an arena for political communication, the EP can criticize Commission actions and adopt resolutions condemning Hungary. Moreover, it can challenge the Commission's decisions at the ECJ. The Parliament sued the Commission for not starting the Conditionality Regulation after its adoption and for the release of €10.2 billion in December 2023. This aspect, due to long legal proceedings and their uncertain outcome, has a very limited impact, but it is a control on the Commission, which aims to avoid decisions that can be legally challenged.

Reporters highlighted one event where the EP's pressure was influential: the Commission's drastic decision to suspend Hungary's Cohesion funds by the CPR in December 2022. Correspondents confirmed, based on discussions with Commission officials, that pressure from Parliament played an important role in the Commission's strong stance (Q3A).

Vetoing the budget and selecting Commissioners are the two most influential weapons of the EP. However, threatening with the budget veto has political constraints, as MEPs would not risk to jeopardize the EU's functioning, as it could lead to the disapproval both from their electorate and the Council, which consists of politicians from the same national parties as the MEPs. The EP is more powerful before elections because Commissioners attempt to please Europarties to ensure their political survival. Ursula von der Leyen had a small majority in 2019, so to remain in power, she has to listen to Parliament to secure re-election. Journalists explained that in the period before EP elections in June 2024, EU-Hungary negotiations made no progress despite Hungary's relative fulfilment of further conditions, as the Commission's hands are tied by EP pressure. The Commission fears that any reimbursements of funds could lead to the EP's resistance, risking re-election of Commissioners (Q3B, Q3C).

Aligning with the findings of Blauberger and Sedelmeier (2024), respondents highlighted that the political salience of rule of law problems is present not only in national politics but also in the EP. A very important finding is that MEPs realized the potential of vote maximization by campaigning against Hungary’s backsliding (Q3D). This strategy has become even more crucial since Fidesz lost its protection from the European People’s Party (EPP). The important role of the EP is further supported by evidence that Fidesz seeks alliances in Parliament. News about discussions between Giorgia Meloni and Fidesz about joining the ECR imply that Fidesz seeks political protection in the EP.

Table 5: Quotes for H3

- Q3A. “Many people say that the fact that the Commission finally took a very firm stance towards Hungary and indeed suspended all funds for a year was largely due to pressure from Parliament. The Commission does not bring this up in public communication, but they acknowledge backdoors that pressure from Parliament played an important role in its decision.”
- Q3B. “I hear quite clearly from the leading Hungarian politicians negotiating EU funds that since Parliament sued the Commission over the release of €10.2 billion, there has been no way to make any progress with the Commission. This left no room for maneuver, regardless of what Hungary is doing or not doing.”
- Q3C. “The reason why there is no progress regarding the Conditionality Mechanism (CM) is precisely the pressure exerted by Parliament. In my opinion, the 17 milestones have been somewhat fulfilled to access the money frozen by the CM. Since Hungary is a big political issue, the Commission cannot proceed with the negotiations, as MEPs would not tolerate any reimbursements to Hungary at least until the elections in June 2024.”
- Q3D. “They understood that this was the way to win votes at home, because otherwise why would they do it? A politician always strives to maximize votes and advocates for causes that can win votes at home. I think this is part of the fact that the European Parliament is becoming more political.”

5.4. Intergovernmental Influence and Member States’ Will

Interview data reveals that the strongest explanation for Commission actions in most observed events is the significant intergovernmental influence from member states. This paper identifies several characteristics of influence from member states and their motivations. Two main causes are identified behind the member states’ stronger stance on Hungary’s rule of law compliance. One is the increasing transnational salience of rule of law, which has shaped policy from 2020. The other is Hungary’s Russian-friendly stance on the war in Ukraine which has determined

policy since February 2022. Similar to the findings of Blauburger and Sedelmeier (2024), journalists explained that the pro-sanctioning attitude of the Council, best captured in the decisions on Hungary's suspension of funds in December 2022, is attributed to the increasing salience of democratic backsliding and corruption in some member states' national politics. Leaders of the net contributor member states realized that stronger action against Hungary's corrupt spending of EU funds could please their electorates, who demanded the fair spending of taxpayers' money (Q4A). The politicization of the issue prompted member states to pressure the Commission towards stricter sanctions against Hungary, which resulted in the adoption and later application of the Conditionality Mechanism. Since sanctioning each other is a sensitive political issue, member states mandated the Commission to manage the mechanisms.

Despite the increasing political salience, before the Russian invasion of Ukraine, member states were less keen to apply sanctions. Interviewees described, providing evidence for H5, that the main reason behind the Commission's delayed application of the Conditionality Regulation and its adoption in a watered-down form was a compromise with Hungary and Poland, who were threatening to veto the 7-year budget. However, member states' influence, independent of a political deal, also played a role in designing and delaying the new mechanism. Smaller member states, alongside Hungary and Poland, were also supportive of a milder instrument. Interviewees explained that the Commission gave in to pressure from the Council instead of the EP, making concessions to Hungary by tying the regulation strictly to the spending of EU funds rather than broader rule of law issues (Q4B). Since some member states feared that such a mechanism could potentially be used against them, they supported this mitigation and the delayed application of the mechanism until the Court strengthened its legitimacy.

The hesitant attitude of the Council clearly changed after the start of the war. In December 2022, three mechanisms suspended funds for Hungary. Correspondents attributed these drastic

sanctions to the Council's intergovernmental influence (Q4C). Hungary's RRF funds were suspended and the Council withheld €6.3 billion under the Conditionality Regulation. Even smaller member states, initially more reluctant to vote for the sanctions due to potential backlash, were convinced by bigger countries. Reporters argued that this vote signaled to the Commission to apply strong sanctions against Hungary, reflected in the Commission's suspension of €22 billion (Q4D, Q4E). Nevertheless, journalists noted that since the suspension of funds under the CPR falls solely within the Commission's competence, this decision also signaled the Commission's own will. Interviewees agreed that the Council's suspension of funds had significant political implications and triggered the use of other mechanisms. This strong EU response was attributed to Hungary's position in the war in Ukraine, as member states wanted to punish Hungary for its pro-Russian stance by sending a clear political message that Hungary became isolated and trust in its government was lost (Q4F). These findings are consistent with the results of Hernández and Closa (2023), who claim that Hungary's Russian-friendly attitude clashes with the member states' and the Commission's position, leading to the Commission's more willing rule of law enforcement prompted by the member states' more receptive approach towards sanctions.

Interviewees explained that the political isolation of the Hungarian government and the composition of the European Council are important factors in understanding the influence of intergovernmental dynamics. Hungary's political isolation was largely determined by the positions of other member states. Respondents mentioned that Orbán hoped to cooperate with Italian prime minister Giorgia Meloni, as they share policy preferences on issues like migration, however, Meloni's pro-Atlantic stance on Ukraine made it impossible to cooperate with Orbán. Poland and Hungary are old allies, especially with the mutual veto protection on rule of law mechanisms. Nevertheless, the relationship between Warsaw and Budapest worsened as Poland could not tolerate Hungary's pro-Russian position. This break-up is also reflected in the EU's

different approach towards the two countries, as the Conditionality Mechanism was triggered against Hungary while not against Poland. Moreover, the Polish national elections in the fall of 2023 changed the political landscape of the Council, as the pro-rule of law Tusk government gained power in Warsaw. Robert Fico's win in the Slovak elections offered hope for Orbán, as Fico's pro-Russian communication in the campaign signaled a potential alliance. Nevertheless, summits of the European Council revealed that Slovakia is not willing to jeopardize European cooperation with Hungary. Additionally, a few journalists highlighted that Orbán lost protection in the Council from Angela Merkel after 2021, as Germany's new governing coalition significantly influenced the EU's stronger rule of law enforcement. Consequently, findings indicate that the Council's composition and Hungary's political isolation robustly support the hypothesis.

Further evidence illustrates the role of member states. Journalists explained that Hungary did not withdraw its veto in exchange for the funds in December 2023 and February 2024, when the European Council voted on Ukraine's candidate status and the budget reform, but did so due to the financial pressure exerted by member states. Journalists referenced an article by the Financial Times reporting on a background Council document (Foy et al. 2024), which included potential serious economic sanctions against the Hungarian economy and the Forint currency if Hungary continued to block policies for Ukraine. Bilateral meetings between Orbán and leaders of major member states such as Macron, Meloni and Scholz also signaled the pressure exerted on Hungary to approve Ukraine's candidate status and the financial package. These examples underline that intergovernmental dynamics and the role of major member states continue to determine EU policy in the area of material sanctions.

Table 6. Quotes for H4

- Q4A. “Taxpayers started to ask questions like “why should we give money to Hungarians when oligarchs are building their own castles out of them?”
- Q4B. “Council tried to make the rule of law mechanism concrete, narrow and specific, tying it as much as possible to the spending of EU funds. So the mechanism weakened a lot before its adoption, as instead of a rule of law instrument, it practically became a tool protecting the EU’s budget.”
- Q4C. “I believe that the entire autumn 2022 decision-making process depended on the political will of the strong governments that fundamentally determine the Council, and basically on the strikingly pro-Russian communication of the Hungarian government and its delaying of certain sanctions.”
- Q4D. “I heard at the time that this was a strong request to the Commission, among others, from Paris and Berlin”
- Q4E. “When the Commission takes a decision with important political implications, it consults the Member States whose opinions also played a role.”
- Q4F. “The Council’s vote was a punishment for Hungary to show that it is alone against everyone else”.
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5.5. The Opportunity of Political Deals

Previous experience in EU decision making indicates that if there is an opportunity for political deals, Viktor Orbán attempts to leverage it to achieve his goals by threatening a veto. Journalists provide evidence for the hypothesis in three major events but emphasize that it is the Hungarian government’s interest to enlarge the role of Orbán’s blackmails.

The delayed application of the Conditionality Regulation is explained by a political agreement from 2020. Journalists highlighted that before the Council adopted the mechanism, member states and the Commission, based on the initiative of the German Presidency of the Council represented by Angela Merkel, agreed with Hungary and Poland that the Commission would not initiate sanctions until the ECJ ruled on the legality of the mechanism challenged by Hungary and Poland. In return, Hungary and Poland lifted their veto on the multiannual budget. Reporters referenced a document on the Council’s conclusions, which states that the Commission committed not to apply any measures until the ECJ’s judgement to incorporate relevant elements from the judgement into its guidelines (European Council 2020). Although the document does not prove the existence of a political deal before the adoption of the

regulation, it is evident that linking the delayed response to the withdrawal of the veto position created an opportunity for a background deal, influencing Commission actions.

A group of journalists provided evidence that the adoption of Hungary's RRF plan is attributed to political deals. They argued that Hungary's veto threats regarding the global minimum tax and a €18 billion financial package to Ukraine played a role in the plan's adoption, preventing the complete loss of funds for Hungary. These veto threats prompted both the Commission and member states to approve the plan. Reporters highlighted that, although such political compromises are not visible, the timing of the decisions suggests a connection. Observers argued, that instead of written agreements, mutual understandings in diplomacy often determine these decisions. These findings align with Hernández and Closa (2023), who state that external observers, such as the US, and EU diplomats and MEPs claim that several EU governments told they would not approve the RRF plan unless Hungary withdrew its veto.

Nevertheless, the majority of journalists cite alternative explanations attributed to the will of the Commission and the member states. They note that, independent from political deals, the EU's interest was to adopt the plan linked to conditions to exert greater leverage on Hungary while avoiding the legal risks and potential financial burden of completely excluding Hungary from the EU's flagship Covid-19 recovery program (Q5A). With the deadline approaching and Hungary fulfilling the necessary conditions, the EU had to approve the plan. Additionally, EU actors recognized that the 7-year budget might need to be reviewed soon due to rising interest rates. Therefore, they realized that if Hungary receives nothing from the RRF, it would veto any budget changes. Hungary's later approval of the budget reform to allocate funds to Ukraine confirmed the member states' assumption.

Another favorable decision for Hungary, linked to veto threats, was the release of €10.2 billion from the Cohesion funds in December 2023. The Commission announced the decision just

before the EU summit, where member states were expected to vote on Ukraine's candidate status and a financial package for Ukraine. Journalists confirmed the existence of a political deal, noting that the veto threat only influenced the timing of the disbursement of funds but not the content of the decision. Participants pointed out that Hungary had fulfilled the necessary conditions to access the money by adopting judicial reforms. However, the timing of the decision was manipulated by both the Commission and the Hungarian government, paving the way for a political deal. Journalists claimed it was a mutually beneficial arrangement utilized by the Commission, Hungary, and the Council (Q5B, Q5C).

Hungary manipulated the situation to align the decision on Ukraine and the release of funds, so it can utilize its blackmail. Journalists argue that this pre-arranged bargaining allowed Hungary to frame the situation as a political deal rather than meeting the EU's conditions. The Hungarian government's submission of judicial reform amendments to the Hungarian Parliament just a week before the European Council summit indicates this motive. The Commission, under pressure from member states, delayed the decision, hoping to secure Hungary's support on Ukraine's candidate status and/or the financial package. Some respondents speculated that the Commission could have accepted the reforms as early as summer 2023 but requested reviews and further clarifications to bring the decision closer to the December summit. Journalists highlighted that the release of funds was not unexpected, but the speed with which the Commission assessed the Hungarian reforms positively was surprising. They did not even wait for the election of the new National Judicial Office, and the funds arrived in Hungary very quickly. Journalists believed that the veto threat regarding Ukraine influenced the Commission to be more flexible. Since Hungary continued to veto the budget reform for Ukraine's financial aid even after the disbursement of funds and the December 2023 summit, journalists speculated that the fast payment of funds could have been an incentive to achieve Hungary's support in the February 2024 summit, where Orbán lifted the veto (Q5D). Interviewees also referred to other

potential background deals such as an agreement between Meloni and Orbán about Fidesz joining the ECR in exchange for lifting the veto (Q5E). Nevertheless, these speculations provided insufficient evidence to robustly confirm the role of a political deal.

Kelemen (2024) argues, similar to criticism from MEPs, that despite no progress in Hungary's rule of law, EU leaders capitulated to Orbán's pressure and released one third of the funds. In contrast, most respondents believed that Hungary fulfilled the Commission's conditions, and only the timing of the decisions was influenced by Orbán's blackmail. Reporters highlight that it is in the Hungarian government's interest to communicate that background deals played a role in the Commission's decisions, as this narrative allows them to claim they did not comply with rule of law reforms but blackmailed the EU into releasing the funds (Q5F). However, journalists confirmed findings in the literature about the crucial role of the political deal in 2020, in which EU actors agreed to delay the application of the Conditionality Regulation.

Table 7. Quotes for H5

- Q5A. "The truth is that it was not in the European Union's interest that Hungary loses the funds. So the aim here was rather to get the EU out of this debate with as little humiliation as possible."
- Q5B. "The interests of Hungary and the Commission met, which opened the door for a political deal."
- Q5C. "The political deal was good for everyone: the Commission achieved its reforms in Hungary and Hungary's approval of Ukraine's candidate status and Hungary could claim that they blackmailed the funds with the veto position. This was a win-win situation."
- Q5D. "What surprised many was how quickly the Commission assessed positively. I think this was really related to the approaching European Council summit, where Hungary's agreement was required for a decision in Ukraine. I think that the Commission would have released this money anyway, because it really considered that the conditions had been met. The emphasis here is on speed, whether it was necessary for the Commission to decide so quickly. According to many, and in my opinion, it made such a quick decision in order to obtain the consent of the government or Viktor Orbán."
- Q5E. "In my opinion, with respect to Orbán lifting its veto, the fact that the Italian prime minister told Orban that Fidesz would only be able to join the conservative group (ECR) if he approved the aid. So if he really vetoes that, they won't take Fidesz in. This 'blackmail' was more important than blackmailing with the funds."
- Q5F. "It is worth adding to any such deal that throughout the past decade and a half the Orbán government has generally had an interest in suggesting that such cases were made because of background deals. They never said them, but it was always in their interest that they were not broken, but bought. And therefore he can bargain with them, but not defeat them. So that was the political message, and a lot of times in the background they communicated it about themselves. That doesn't mean it's not true"
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6. Discussion

This section analyses the explanatory value of the hypotheses based on the findings. A summary of the results is presented in Table 8. Evidence showed that the strongest explanation for the Commission's actions is the intergovernmental influence from member states. The main drivers of the EU's policy shift towards material sanctions were member states who demanded and authorized the Commission to take stronger action for two reasons: the increasing transnational salience of democratic backsliding in the EU and Hungary's Russian-friendly position in the war in Ukraine. Member states' influence was present in almost all observed events, including the delayed actions of the Commission and the activation of the three financial conditionality instruments. The other intergovernmental explanation, the opportunity of political deals, also strongly influences Commission actions. Although journalists regarded member states' will as more influential on EU policy, they acknowledged the role of Hungary's veto threats in the Commission's decisions. Evidence showed that the importance of this theory varied across events: while a political deal was detrimental in the Commission's delayed activation of the Conditionality Regulation, the decisions to suspend funds for Hungary were dominated by the will of the member states and the Commission. Moreover, despite the general opinion of MEPs and most commentators, data revealed that the release of funds was not primarily determined by Hungary's blackmail; the government communicates the success of its veto threat in accessing the funds but the vetoes only influenced the timing of the decision. Although interviews showed that political deals are not the main explanation for events, they provided evidence that EU actors often engage in such agreements seeking political compromise.

The Commission's will explanation is ambiguous. Findings indicate that the Commission, as a supranational body of the EU, has a decisive influence over the allocation of the funds. Evidence from most observed events suggests that the Commission considers political factors and aims to maximize its leverage by withholding funds. Interviews also revealed that internal

bureaucracy and the actions of specific Commissioners influence policy decisions. Nevertheless, the Commission's power is derived from member states, who authorized the institution to manage the financial conditionality mechanisms. The EU's intergovernmental features jeopardize the Commission's independent action for two main reasons. First, rule of law sanctions is a sensitive political issue due to potential backlash against any EU country, leading member states to influence Commission actions. Second, Hungary's veto threats block European cooperation in key foreign policy issues, compelling both member states and the Commission to engage in political deals. National vetoes are the biggest obstacle of the Commission's independent action, indicating the EU's internal power struggle between its intergovernmental and supranational features. Since vetoes hinder effective policy-making in areas of the rule of law and foreign policy, a German-French proposal considers abolishing vetoes in the future to address this issue, especially in the context of further enlargement (The Group of Twelve 2023). However, this would require a treaty revision, which is impossible without unanimous approval from all member states, including Hungary.

Partisan dynamics in the European Parliament (EP) provide a limited explanation to understand rule of law actions. While Hungary's Fidesz was a member of the EPP group in the EP, partisan protection served as a crucial explanation for the EU's inaction against Hungary. Although the lost protection and the increasing political salience of democratic backsliding among Europarties explain the EU's policy shift, the EP's influence on the Commission's actions is limited and varies across contexts. Evidence showed that the EP's demands for strong sanctions were ignored in most observed events, however, EP requests were considered in the suspension of Hungary's Cohesion funds. While the EP's main weapons, political communication and lawsuits against the Commission at the ECJ have a limited impact, the EP's role intensifies before election periods, as Commissioners fight for the EP's support securing their political survival. The development of policy instruments does not appear to play an important role in

the Commission's decisions. This argument only appears in the Commission's delayed activation of the Conditionality Mechanism as a secondary explanation. Although this hypothesis has the least explanatory power among all observed events, evidence supports that the emergence of the new Conditionality Regulation is a sign of the development of the EU's supranational rule of law toolbox. A general conclusion is that all explanations are necessary to fully understand the EU's response to Hungary's democratic backsliding due to their complementary nature.

Table 8. Summary of results

Hypotheses Events	H1: Development of Tools	H2: Commission's Will	H3: EP	H4: Member States' Will	H5: Political Deals
Waiting for the ECJ's decision	ambiguous	unconfirmed	unconfirmed	confirmed	confirmed
Activation of the Conditionality Regulation only after the 2022 elections	ambiguous	confirmed	unconfirmed	ambiguous	unconfirmed
Approval of the RRF plan	unconfirmed	ambiguous	unconfirmed	confirmed	ambiguous
Suspension of funds under RRF, CR, CPR	unconfirmed	confirmed	confirmed	confirmed	unconfirmed
Release of one- third of the funds, approval of Ukraine's candidate status	unconfirmed	confirmed	unconfirmed	ambiguous	confirmed (only timing)
EU summit on budget reform	unconfirmed	unconfirmed	unconfirmed	confirmed	ambiguous
Overall:	Not confirmed	Ambiguous	Ambiguous	Confirmed	Confirmed

7. Conclusion

This research tested the explanatory power of five arguments from previous literature explaining the EU's inaction in response to the rule of law crisis. The paper found that these hypotheses, rooted in the EU's institutional structure, continue to explain the Commission's actions in its application of financial conditionality mechanisms against Hungary. Evidence from eight interviews with Hungarian journalists demonstrated that the EU's intergovernmental characteristics best explain the Commission's actions in the observed events between February 2022 and February 2024. These explanations, both for the EU's policy shift and for the use of financial conditionality mechanisms, include the crucial influence of member states. Member states have driven the EU's more active response due to the increased EU-level political salience of democratic backsliding and Hungary's political isolation prompted by its Russian-friendly position in the war in Ukraine. While similar findings of previous literature (Blauberger & Sedelmeier 2024, Hernández & Closa 2023) are confirmed by the Hungarian journalists' opinions, my results also provide new findings. Political deals between EU actors and Hungary, aimed at resolving Hungary's veto threats, continue to influence Commission actions. Nevertheless, their explanatory potential is more limited due to Hungary's political isolation, and it is the Hungarian government's strategy to enlarge the role of Hungary's veto in decisions about the funds. Supranational explanations proved to be less important, however, the Commission's independent will and to a limited extent, the partisan influence from the European Parliament explain policy actions. Evidence revealed that while the Commission has an important role in key decisions demonstrated by the important role of specific Commissioners, intergovernmental influence from member states and political deals can obstruct its independent actions. Partisan dynamics from the EP contributed to the EU's policy shift and stronger stance on the rule of law, but the EP's role is marginal in decisions except

before election periods. Interviews provided insufficient evidence to confirm the development of policy instruments hypothesis.

For interpreting results, it is important to highlight that my findings represent the perspectives of eight Hungarian journalists who are close observers of relevant events. Conclusions are derived from their opinions, which may include potential biases. Since interview-based research is limited in completely uncovering the explanations for the Commission's actions, future research could apply alternative methodologies. As interviewing relevant decision-makers was not feasible, and their motivations and interests could have compromised the validity of the findings, I chose to interview journalist observers, whose perspectives provide the closest estimates for the explanations behind policy actions. Future research could address other limitations, such as controlling for alternative explanations that are not captured by the hypotheses. Moreover, since interview findings showed difficulty in distinguishing between evidence for different hypotheses, further research could develop more nuanced hypotheses to provide a clearer separation between theories.

My study contributes to the literature in three ways. First, it provides a picture of the first two years of the application of the financial conditionality mechanisms and their explanations. Second, it allows us to derive conclusions about the EU's supranational and intergovernmental institutional characteristics, finding that despite the supranationalization of rule of law protection, intergovernmental dynamics determine EU actions. Third, it presents the viewpoint of Hungarian media professionals, offering a unique perspective in the literature of European public policy. This study provides a snapshot of the explanations for Commission actions based on recent events. The changing nature of this active policy field also offers opportunities for future research. The uncertain outcomes of upcoming elections in the European Parliament and some member states, which will determine the composition of both the Commission and the

Council, can change the directions of EU rule of law policy. Moreover, recent proposals of EU institutional reforms also imply the ongoing nature of the field. Nevertheless, my findings demonstrate that despite policy changes, the EU's core institutional features continue to explain the EU's response to its unresolved autocracy crisis.

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