

The EU must act on state aid abuse by the Hungarian government

2 September 2020



Free Press Unlimited has joined a coalition of 16 press freedom organisations calling on the European Commission to take action on two complaints on the misuse of state aid by the Hungarian government in order to distort the media market and media pluralism.

In December 2019, following a field [visit to Hungary](#), 7 press freedom organisations, including Free Press Unlimited, have concluded that, for many years, “the Hungarian government has systematically dismantled media independence, freedom and pluralism, distorted the media market and divided the journalistic community in the country, achieving a degree of media control unprecedented in an EU member state”. The situation even worsened during the [COVID-19 crisis](#).

On 2 September 2020, Free Press Unlimited has signed a joint letter with 15 other press freedom organisations, calling on the European Commission to take action on 2 complaints launched in 2016 and 2018 and aiming to tackle the misuse of state aid and state advertising by the Hungarian government. Evidence shows that pro-government media hugely benefit from the majority of state aid. As a result, independent media are silenced, the media market is distorted, and the right of Hungarian people to access pluralistic information is threatened.

Executive Vice-President Margrethe Vestager

Commissioner for Competition

European Commission

Rue de la Loi / Wetstraat 200

1049 Brussels

2 September 2020

Dear Executive Vice-President Vestager:

The undersigned press freedom, freedom of expression and journalists' organisations are writing to urge you to act on complaints that the Hungarian government has violated EU state aid rules to undermine media pluralism.

As you are surely aware, over the past 10 years, starting with the 2011 media law, the government of Prime Minister Viktor Orbán has systematically dismantled media pluralism, media freedom and media independence. The government has pursued a strategy of deliberately manipulating the media market, bending rules designed to prevent free and fair competition and weaponizing state resources to punish critical media and reward government mouthpieces. The result is a media landscape that does not reflect the outcome of market forces but rather serves to spread government messaging.

In particular, it is well established that the Orbán administration's distribution of state advertising to the media does not follow any market logic – such as subscription figures or viewer numbers – but is almost exclusively geared toward propping up pro-government media and starving independent outlets of much-needed revenue.

Index.hu, Hungary's largest independent online news site, is a case in point. In the years prior to last month's mass resignations, Index received virtually nothing in state advertising, despite being a market leader, while its main competitor, the pro-government Origo.hu, benefited heavily. This pattern is replicated across all sectors – print (dailies and weeklies), radio, television and online – and creates manifestly unfair market conditions. The goal of these efforts is clear: to financially weaken independent media and hamper the production and dissemination of critical news.

In November 2018, State Aid complaint No. 53108 was lodged with the Commission regarding the distribution of state advertising to media outlets in Hungary. The complaint includes extensive evidence around the government's market-distorting practices. We are dismayed that the Commission has not yet responded to this complaint, despite its urgency.

Since then the situation has only grown more serious. The creation of the KESMA foundation in late 2018, which united pro-government media and was exempted from normal competition

review, further undermined media pluralism in Hungary and has facilitated a centralized system of content control. By the end of 2018, according to independent research, an estimated 80 percent of the market for public affairs news was being financed by sources determined by the FIDESZ party. This means KESMA now controls over 470 media outlets in Hungary.

Commission action and attention on this matter is doubly important due to the lack of domestic mechanisms to protect media plurality. This was shown on 25 June 2020, when Hungary's Constitutional Court ruled that the government decree which prevented the Competition Authority from examining the legality of the merger that created KESMA was constitutional.

The coronavirus pandemic has now compounded the existing, politically driven financial pressure on independent media, threatening the survival of what remains of Hungary's free press. The developments at Index bear witness to this extremely fragile situation.

We are also aware that the Commission has not yet acted in response to State Aid complaint No. 45463 concerning the Hungarian public service broadcaster (PSB), which was lodged in 2016. The Hungarian PSB has long since ceased to meet the definition of public service broadcasting. It does not meet international standards on independence, transparency and accountability. In practice it behaves as state media, acting as a mouthpiece for the government. News coverage is not balanced and is presented in a way that shows deliberate and clear bias in favour of the FIDESZ party.

According to State Aid complaint No. 45463, Hungary's mode of funding to the PSB has serious anti-competitive effects. It notes that the combination of government support to the public broadcaster and pro-government stations stacks the deck against the few remaining independent broadcasters and is designed to establish dominance over the flow of information in the television and radio sectors.

We are seriously concerned that the Commission's failure thus far to respond to these complaints perpetuates the Hungarian government's market-distorting practices and allows for the further decimation of independent media in the country. The turmoil at Index.hu shows clearly that the situation will continue to worsen. The Hungarian public's access to sources of balanced news and information is in greater danger than ever before.

Over the past 10 years, the Hungarian government has chosen an alternative, yet highly effective, path toward restricting press freedom. There are, as yet, no jailings of journalists, no newsroom raids, no physical violence against the journalists or media workers. Rather, it has distorted the media market, abusing regulatory powers and state resources to remove or weaken unwanted players. Hungary has succeeded in doing so despite the fact that protecting undistorted competition and ensuring fair use of state aid are core values of the EU.

Worryingly, this model of suppression and control is now being exported to other countries in Central and South Eastern Europe, including both EU Member States such as Slovenia and EU Candidate Countries, including North Macedonia. In Slovenia, Hungarian outlets within KESMA have also been used to channel funds into pro-government media outlets. The developments in Hungary thus have profound regional implications.

We urge you to take action to defend the right of the Hungarian public to access free and pluralistic sources of news. This must include responding to all complaints related to the misuse of state aid in Hungary. Addressing these issues is essential to defending media freedom, media pluralism and the rule of law both in Hungary and within the EU as a whole.

We look forward to hearing from you. Representatives of the signatories below would be happy to schedule a meeting to discuss this in more detail.

Kind regards,

Alliance Internationale de Journalistes

ARTICLE 19

Association of European Journalists (AEJ)

Committee to Protect Journalists (CPJ)

The Daphne Caruana Galizia Foundation

European Centre for Press and Media Freedom (ECPMF)

European Federation of Journalists (EFJ)

European Media Initiative

Free Press Unlimited (FPU)

Global Forum for Media Development (GFMD)

Index on Censorship

International Press Institute (IPI)

Osservatorio Balcani e Caucaso Transeuropa (OBCT)

Reporters Without Borders (RSF)

Society of Journalists (Towarzystwo Dziennikarskie), Warsaw

South East Europe Media Organisation (SEEMO)