Andrea Éltető, Tamás Peragovics, Magdolna Sass, Ágnes Szunomár

China's European Bridgehead?

The Chinese Economic Presence in Hungary

EUROPA

FRIEDRICH EBERT STIFTUNG

EUROPA

Europe needs social democracy!

Why do we really want Europe? Can we demonstrate to European citizens the opportunities offered by social politics and a strong social democracy in Europe? This is the aim of the new Friedrich-Ebert-Stiftung project »Politics for Europe«. It shows that European integration can be done in a democratic, economic and socially balanced way and with a reliable foreign policy.

The following issues will be particularly important:
- Democratic Europe
- Economic and social policy in Europe
- Foreign and security policy in Europe

The FES will devote itself to these issues in publications and events: we start from citizens' concerns, identify new positions with decision-makers and lay out alternative policy approaches. We want a debate with you about »Politics for Europe«!

Further information on the project can be found here:
https://www.fes.de/politik-fuer-europa/

Friedrich-Ebert-Stiftung

The Friedrich-Ebert-Stiftung (FES) is the oldest political foundation in Germany with a rich tradition dating back to its foundation in 1925. Today, it remains loyal to the legacy of its namesake and campaigns for the core ideas and values of social democracy: freedom, justice and solidarity. It has a close connection to social democracy and free trade unions.

FES promotes the advancement of social democracy, in particular by:
- Political educational work to strengthen civil society
- Think Tanks
- International cooperation with our international network of offices in more than 100 countries
- Support for talented young people
- Maintaining the collective memory of social democracy with archives, libraries and more.

About the authors

Institute of World Economics, Budapest,
Centre for Economic and Regional Studies:
Andrea Éltető
Tamás Peragovics
Magdolna Sass
Ágnes Szunomár

Andrea Éltető, Tamás Peragovics, Magdolna Sass, Ágnes Szunomár

China's European Bridgehead?

The Chinese Economic Presence in Hungary

EXECUTIVE SUMMARY

While the EU-China relationships are fraught with controversies,[1] the Hungarian government has for many years been strengthening cooperation with the East Asian power.[2] Several new investments have been realised or announced, large infrastructure projects are planned, in May 2024 the Chinese president visited Budapest and in July 2024, the Hungarian prime minister reciprocated the visit.

This paper unpacks the highly intertwined and interrelated political, economic, and environmental aspects and challenges of this friendship – as the leaders of the two countries often label it.

– China's share in the total outward FDI stock in the world economy has increased spectacularly in the past decades, although often via intermediary countries. Based on estimations, in absolute terms, in 2023 the United Kingdom, Germany and France are the main targets of Chinese FDI in Europe, with Hungary catching up, but overall placed 11th in terms of its share in overall Chinese FDI in the EU. In relative terms, the Chinese presence is substantial in Hungary (and Serbia). Except for Luxembourg, Chinese presence is higher in industry and construction than in services in all EU member states. In absolute figures, Chinese controlled value added, industrial production and jobs were the largest in Sweden, Germany and Italy in 2021.

– Compared to other EU members, China is not an important export destination for Hungary, while in imports its share is above the EU average and has become Hungary's second import partner behind Germany. Bilateral trade is shaped primarily by the participation of the two countries in global value chains, and it is increasingly asymmetric in favour of China. Hungary depends on Chinese raw materials and parts, coming increasingly from Chinese-owned firms (and less from foreign-owned firms) operating in China, while China relies less on Hungarian inputs for its exports.

– Based on the nationality of the ultimate investor, China moved from the 13th largest investor in 2014 in Hungary to becoming the 8th in 2022, that year representing 3.5 % of the total stock of FDI. This share has certainly increased since then as China was the top investor in the last two years and in the same period, Hungary has become the primary target of Chinese FDI in Europe. There is usually at least one intermediary country before Chinese FDI reaches its final destination in Hungary. Chinese FDI in Hungary is concentrated in manufacturing, especially in the food, chemical, rubber and plastics, electrical equipment, machinery, and especially the motor vehicle industries. Hungary's foreign direct investment in China is negligible.

– The attractiveness of Hungary is due to its economic openness, relatively low labour costs (efficiency-seeking motivation) and the generous state support offered to companies in various forms, particularly in the last few years. Market-seeking motives are also important as Chinese companies entering Hungary gain access to the whole EU market. This export-platform type of FDI combining efficiency and market seeking motives, has become increasingly dominant recently owing to the importance of access to EU markets for China due to the (looming) protectionist measures by the EU and elsewhere. The high-level strategic agreements with foreign companies, personal contacts, visa programme and the robust presence of local Chinese minority are equally enticing for Chinese investors.

– China has been planning several infrastructure projects in Hungary for at least two decades, but the only one being built so far is the Budapest-Belgrade Railway. This section will be part of a longer railway that will link the Chinese-owned port of Piraeus in Greece with Central Europe. The project was conceived in 2013, but EU concerns and other technical problems have slowed down the construction process.

– Because Hungary is a member of the Western community, China's relations with Hungary undermine the growing Cold War mentality in international politics. For China, the tendency to retrench into opposing ideological divides is harmful for its ambitions globally and within Europe. Hungary's added value is its willingness to engage in conflicts with its Western partners. Moreover, Hungary occupies a key geographical position in the CEE region and is something of a bridgehead between East and West but also North and South. Economically, Hungary prioritises its automotive industry and electric transformation, providing a solid base for Chinese plants to serve the electric battery needs of Western European factories.

- The cornerstone of Hungary's strategy is the Eastern Opening policy announced in November 2010. The policy identifies East Asia as the driver of global productivity and a key source of capital, and seeks to intensify relations with this region. In addition, China's development model prioritizing capital-intensive growth is appealing for the Orbán-government, which has formed a state that is institutionally stable, increasingly centralised and economically open to channel in a steady inflow of investments.

- While the attitude of the Hungarian public towards Chinese investment has been neutral in the past, today many people (especially in opposition parties, experts, and affected local communities) oppose Chinese investments in the battery sector. Hungarian authorities have a history of letting East Asian (mainly Korean) companies operate without much oversight. This – together with the large number and size of the announced projects – increases fears that this practice will continue with Chinese battery firms resulting in serious damages in the ecosphere as well as overspecialisation in the EV industry.

1

INTRODUCTION AND BACKGROUND

The European Union is increasingly concerned with its declining global competitiveness and industrial position relative to other emerging powers such as China.[3] This process is reflected in the shift in EU rhetoric, where China has transformed from a strategic partner into a systemic rival.[4] While the majority of member states – in line with the EU's position – have recently adopted a more cautious approach towards China, Budapest is more open than ever to cooperation with Beijing: new greenfield investments or infrastructure projects are announced frequently.

In this paper, we analyse Chinese economic presence in Hungary, including its evolution, policy approaches on both sides, and the implications of this engagement. Our aim is to provide a realistic and evidence-based picture of the Chinese-Hungarian relationship and economic engagement.

This paper is organised along the multiple challenges that accompany the growing Chinese engagements in Hungary. One key question concerns economic dependence (increasing Chinese companies' presence, indebtedness) and the imbalance in the relationship (trade deficits, foreign direct investment, and infrastructure projects mainly in China's interest).[5] Yet, in a recent Policy Solutions-study China occupies the 4th positions in the list of the countries, which the Hungarians consider most favourable to maintain close partnership and in European and OECD comparison, Hungary is among countries with least unfavourable/neutral views on China[6]. A further dimension is social/labour-related, as the labour needs of the increasing influx of Chinese companies with large-scale labour-intensive activities outstrip domestic labour supply, and differences in business and work cultures can also create challenges.[7] Yet another issue concerns the most recent Chinese investments in battery production, a manufacturing process that while contributing to green transition, bringing technology, creating jobs, and increasing local value added, at the same time can be too demanding in terms of energy and water and damaging to the environment and health of local people. Finally, the national and European security aspects of the Chinese economic presence must also be taken into account

The structure of the paper is as follows. First, we provide an overview on China's economic presence (investment and trade) in Hungary, compared to other EU member states. Then we zoom in on the characteristics of Chinese FDI in Hungary, the major infrastructure projects as well as the activity of the local Chinese minority. The next chapters discuss the political motivations of both sides and provide insights into the activities of certain Chinese companies, including those operating in the EV battery sector. In the final chapter, conclusions are drawn from the analysis.

2

OVERVIEW OF CHINA'S ECONOMIC FOOTPRINT IN HUNGARY

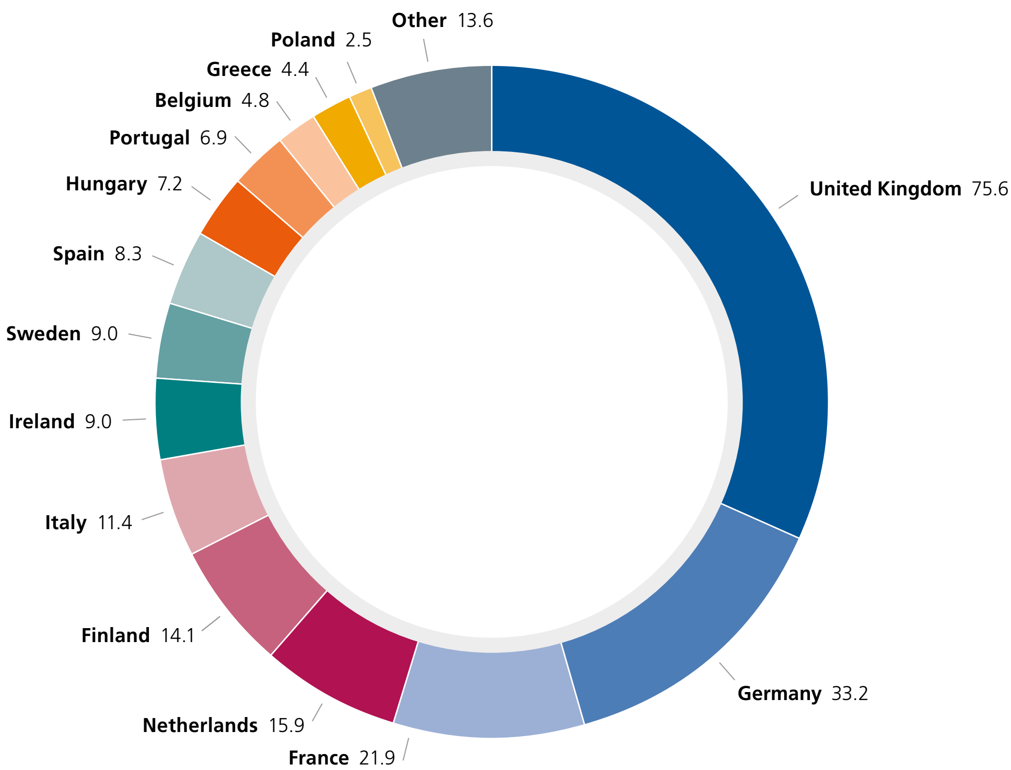
CHINESE FOREIGN DIRECT INVESTMENTS IN HUNGARY IN INTERNATIONAL COMPARISON

In the last two decades, there has been a quick increase in China's share of the total outward FDI stock in the world economy. While the country's part was negligible in 2000, it came to represent more than 7 % of the total stock in 2022[8]. This growth in outward FDI is impressive, even if we take into account the numerous problems surrounding FDI data reported by China[9][10].

Within Europe, the top destinations concerning the stock of Chinese FDI are the United Kingdom, Germany, France, the Netherlands and Finland. Hungary comes at 11th position. However, already strong in 2022, in year 2023, Hungary was the main destination of the annual FDI inflow from China.[11] (Figure 1 and 2)

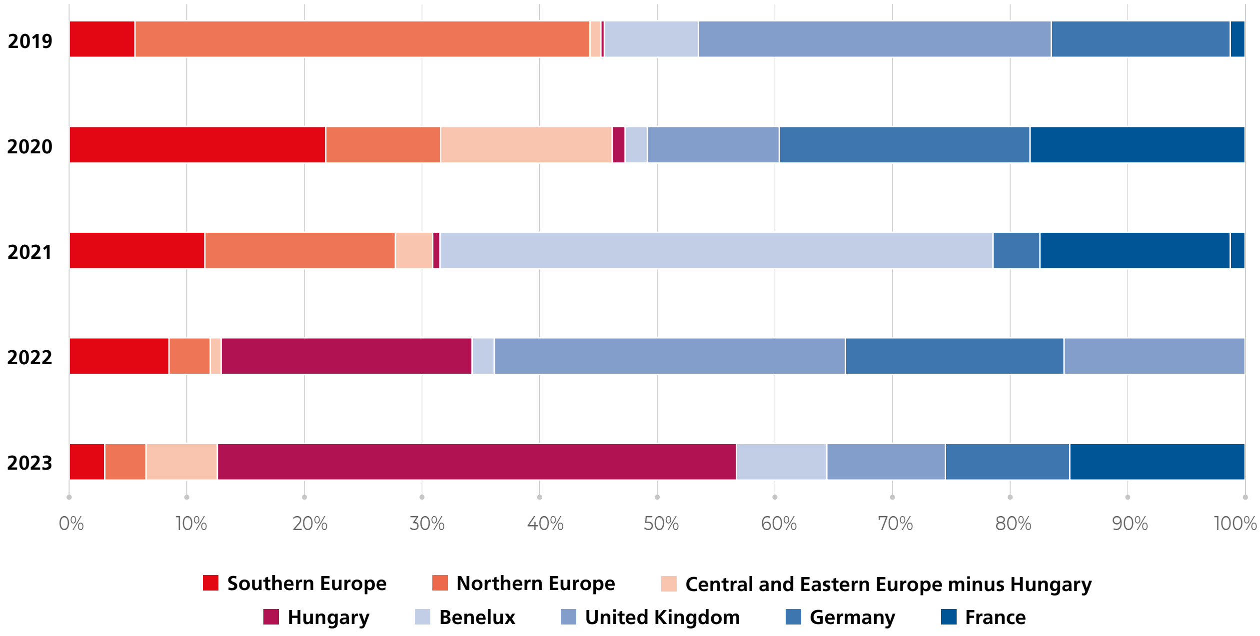
For a limited number of OECD countries,[12] not only estimations, but official data are available for FDI ultimately owned by Chinese firms or individuals. 2014 is the first year where these data are available for a large number of countries. We can see an increase of ultimately Chinese (China and Hong Kong, PRC) owned FDI in all countries between 2014 and 2022. The United States has the largest stocks, and in Europe, France, Germany and Switzerland are important target countries in absolute terms. Country size matters, the importance of ultimately Chinese-owned FDI is diverse among the analysed countries compared to their

Figure 1
Chinese FDI in Europe, 2000–2023, cumulated, EUR billion



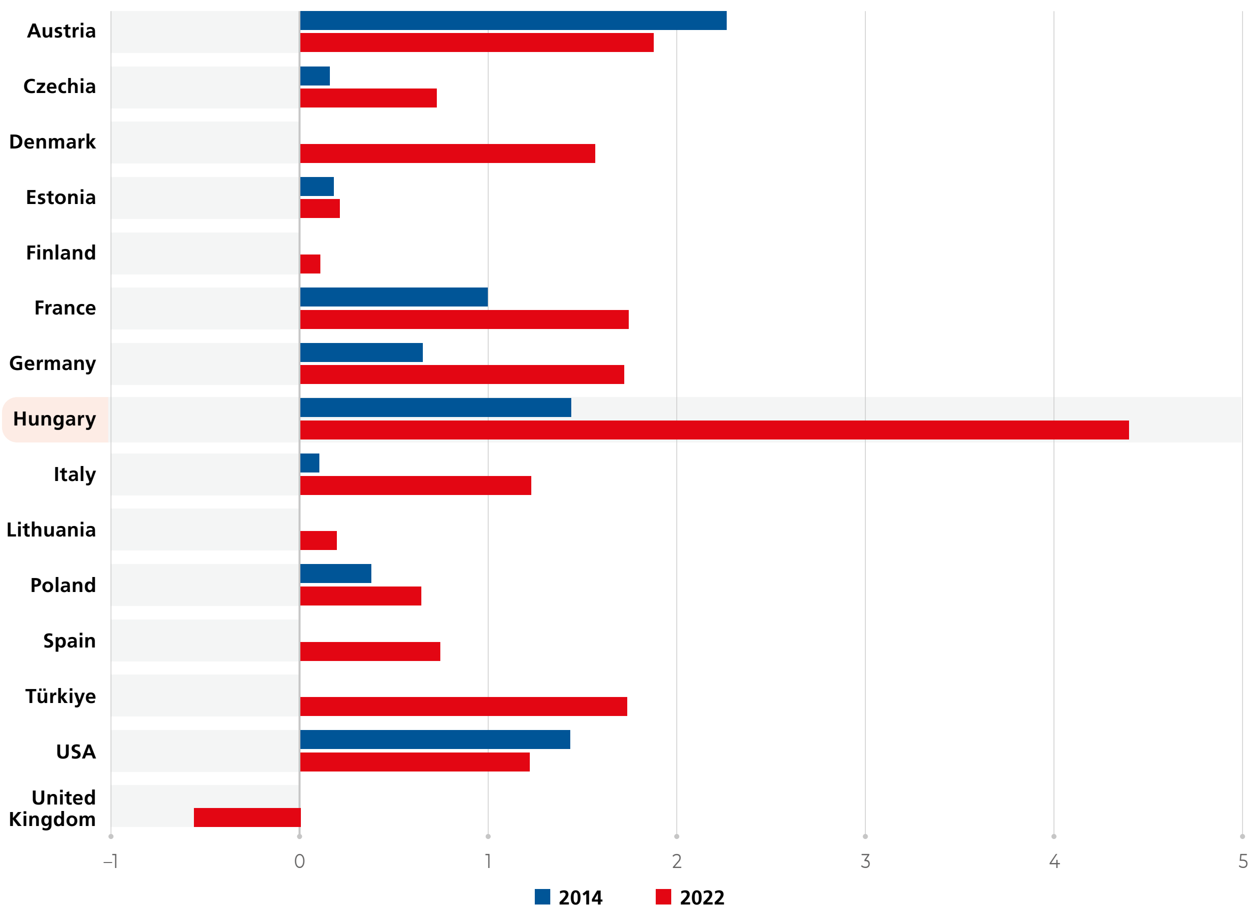
Source: based on the estimation by Kratz, A., Zenglein, M. J., Brown, A., Sebastian, G., Meyer, A. "Dwindling investments become more concentrated – Chinese FDI in Europe: 2023 Update", *MERICS Report*, 6 June, 2024, https://merics.org/de/report/dwindling-investments-become-more-concentrated-chinese-fdi-europe-2023-update#msdynttrid=Zzx3mA3eShEvL5SgKS2UOZHPIutRhqg1el2CnTjUI1k.
Note: EU-27 plus United Kingdom, Other: countries with less than EUR 2 billion FDI stock: Malta, Austria, Romania, Luxembourg, Slovenia, Denmark, Slovakia, Estonia, Cyprus, Croatia, Bulgaria, Latvia and Lithuania

Figure 2
Breakdown of annual Chinese investment in European Union plus United Kingdom between countries and country groups
(%, 2019–2023)



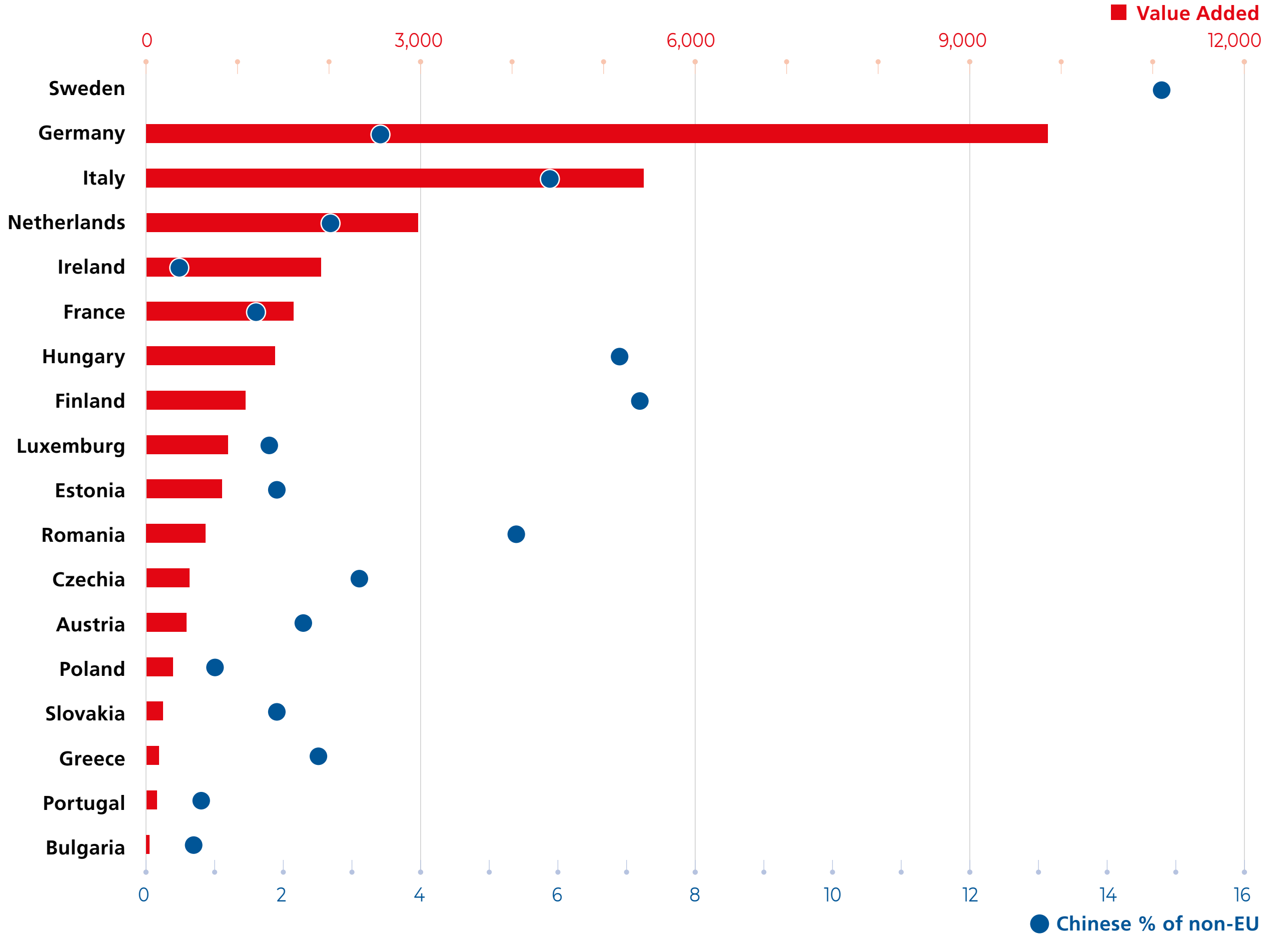
Note: "Benelux" includes Belgium, the Netherlands, and Luxembourg. "Central and Eastern Europe" includes Austria, Bulgaria, Czech Republic, Poland, Romania, Slovakia, and Slovenia. "Southern Europe" includes Croatia, Cyprus, Greece, Italy, Malta, Portugal, and Spain. "Northern Europe" includes Estonia, Denmark, Finland, Ireland, Latvia, Lithuania, and Sweden.
Source: based on Kratz, A., Zenglein, M. J., Brown, A., Sebastian, G., Meyer, A. "Dwindling investments become more concentrated – Chinese FDI in Europe: 2023 Update", *MERICS Report*, 6 June, 2024, https://merics.org/de/report/dwindling-investments-become-more-concentrated-chinese-fdi-europe-2023-update#msdynttrid=Zzx3mA3eShEvL5SgKS2UOZHPlutRhqg1el2CnTjUI1k.

Figure 3
China plus Hong Kong, PRC FDI in % of total FDI in selected economies, 2014 and 2022



Source: OECD and for the UK: Office for National Statistics; 2022 data for Hungary: Hungarian National Bank; Germany and United Kingdom: 2021 instead of 2022, data missing for 2014: Denmark, Finland, Lithuania, Spain, Türkiye, United Kingdom

Figure 4
Value added (EUR million) in Chinese controlled enterprises in industry, EU member states, 2021



Note: China without Hong-Kong; control equals to more than 50% ownership. Added value for Sweden is not available.
Source: Eurostat Foreign Affiliate (FATS) statistics

GDP or population. When compared to GDP, Hungary stands out with an almost 5 % share in GDP from the analysed origin in 2022. (Figure 3) According to various estimations, within Europe, Serbia can also be an important target country of Chinese FDI, where around 10 % of the FDI stock originated from China (including Hong Kong, PRC, Macao and Taiwan) in 2022, ranking China as the 5th largest investor.[13]

Data for 2023 and announcements of Chinese FDI projects indicate the continuity of rising trends in most countries. Hungary benefited from the boom in Chinese electric vehicle investments in 2023, receiving 44 % of all Chinese FDI last year in Europe, (Figure 2) and becoming the top European target and China its top investor in 2023.[14] The previous top destinations (Germany, France and UK) received around one-third of the annual Chinese FDI in Europe that year, while in Serbia, China was the top investor with EUR 1,373 million investment, with one-third of the total annual FDI inflow to the country.

Thus, in absolute terms, France, Germany and Switzerland are the main targets of Chinese FDI in Europe, with Hungary catching up recently. In relative terms, the Chinese presence is substantial in Hungary (and Serbia). China was among the top 10 investing countries only in Hungary and Serbia in 2022 and in 2023 in FDI stock. Investments of (other) European (mainly German) and US origin still dominate in the analysed countries, ranging between 10 % to 20 % of total inward FDI stock per these investing countries.

A clearer and more complete picture of Chinese capital's presence in Europe can be obtained through the Eurostat database on foreign-controlled companies in the EU. This provides information on the relative share of Chinese majority-owned and thus controlled companies in the total number, employees, value-added and output of all enterprises in different sectors in 2021.[15] Based on data on value-added, except for Luxembourg (where financial activities are significant), Chinese presence is higher in industry and construction than in services and other sectors in all member states. In absolute terms, Chinese controlled industrial production and jobs are the largest in Germany, Sweden and Italy. However, compared to all non-EU-controlled firms, these large figures represent only 2 % to 7 % of the total, except for Sweden where the weight of Geely-owned Volvo pushes the Chinese share up to around 15 %. Finland and Hungary follow Sweden, given that Chinese-produced industrial output reaches 7 % of the non-EU pool. If we add the activities of enterprises controlled by Hong Kong, PRC, the industrial output figures increase by around 50 % in Spain and France, 30 % in the Netherlands and around 5–10 % in other countries.

FOREIGN TRADE BETWEEN HUNGARY AND CHINA

China is a global leader in manufacturing, with a 31 % worldwide share and the total value added of the Chinese manufacturing sector equalling the combined output of the US and EU.[16] Its trade with various EU members differs considerably. The share of China in Hungary's exports remain low: 1 % of total or 5 % of extra-EU flows in 2023, both below the EU-average. In contrast, imports are above the EU-average: China is Hungary's second most important import partner behind Germany with 7.7 % of total imports in 2023 and with one-fourth of extra-EU imports. There has been a slight decline in Hungary's export and import exposure to China between 2010 and 2023. As a result, the increasing trade deficit went close to EUR 8 billion by 2023, contributing to the overall large deficit of the EU with China.[17]

Developments are mainly the results of the high level of participation of Hungary and China in global value chains (GVCs). Taking into account the domestic value-added data, the share of China in value-added exports increases considerably for almost all EU member states, including Hungary, where this represents almost 4 %. The negative trade balance in value added terms is thus considerably smaller. However, Hungary is among the countries with the lowest share of domestic value-added export in (gross) export with only 47 % in 2020.[18] This indicates that it is mainly foreign-owned subsidiaries operating in Hungary that trade most intensely with China with a rather low value added in Hungary, relying mainly on activities using relatively cheap local labour. Indeed, in 2023, the top ten export products of Hungary (representing 27.5 % of total export to China) consist of items mainly produced by foreign-owned subsidiaries in Hungary, with the possible exception of pharma products. They are mainly GVC-related products, such as automotive and electronics parts and ready-made vehicles. The composition of the top ten imported products from China is similar to Hungarian exports there, with automotive and electronics parts and final products dominating. In certain products, as for other countries, China is by far the most important import source for Hungary, such as certain telephones, artificial graphite and antennas.

GVCs play an important role in shaping bilateral trade relations given that both China and Hungary are important 'factory economies' (where unskilled, mid-skilled and skilled labour-intensive manufacturing production is located in the global economy). What characterises this GVC-based relationship?[19]

1. Similarly to the EU as a whole, the bilateral relationship between the two countries is increasingly asymmetric in favour of China. Hungary is increasingly dependent on Chinese raw materials and parts, while China is less reliant on Hungarian inputs for its exports.

2. Increasing asymmetry is also characteristic in another area: the dependence of Hungary is increasing quickly on inputs, produced by Chinese-owned companies in China, as opposed to foreign-owned companies operating there. Chinese-owned firms are especially important in finished textile products, automotive parts, and metal products and in computers and electronics.

3. GVCs have not only a direct, but also an indirect effect on bilateral relationships, mainly through German suppliers.

4. Given the intertwined nature of foreign trade and FDI, the high concentration of Chinese FDI is reflected in the relatively low number of firms participating in bilateral trade flows (see e. g. the case study on Huawei).

Overall, compared to GDP or in % of total FDI, Hungary is one of the major target countries of Chinese FDI in Europe, which position has been further strengthened recently. In foreign trade, bilateral trade is shaped by GVCs to a great extent, but it has evolved asymmetrically: China's share in Hungary's export is negligible, while the Asian country has become one of the leading import sources for Hungary over time.

3

UNRAVELLING THE ISSUE OF CHINESE INVESTMENTS

CHARACTERISTICS OF FDI FROM CHINA IN HUNGARY

As a background, it is important to note that in Hungarian manufacturing, due to long traditions and/or during and post-transition inflows of FDI, there are a few subindustries, in which employment, production and value added are concentrated. According to gross value added[20], in 2022 by far the most important is the production of vehicles (more than 15 % of total manufacturing value added). Food, beverages and tobacco comes second (almost 10 %), followed by fabricated metal products and manufacture of computer, electronic and optical products (more than 8 % each). Further important subindustries are manufacture of electrical equipment (containing EV batteries), pharma and machinery industries (just below 7 % each). With the exception of the pharma and fabricated metals, where Hungarian-owned or controlled companies are important players, the share of foreign-owned companies exceeds 80 % in value added of the other leading industries, and it is 98 % in the production of vehicles. Thus, in Hungary's economy, foreign-owned companies play a leading role. Foreign direct investments mainly come from Germany and other European countries. From outside Europe, South Korea, the United States and Israel stand out. China was ranked as the 13th (12th with Hong Kong, PRC) largest investor in 2014, while it rose to 8th in 2022 (6th with Hong Kong, PRC) in Hungary. (Table 1) We estimate that at present, China's share can be around 8 % of the total stock of FDI in Hungary due to the above described large inflows in 2023 and 2024.

Table 1
Top 15 countries of origin in Hungary's FDI stock, 2022 (million EUR and % in total)

Rank	Country	million EUR	% in total
1	Germany	18,738.520	18.6
2	Austria	9,136.650	9.1
3	South Korea	8,913.606	8.8
4	United States	8,847.282	8.8
5	France	5,152.578	5.1
6	Israel	4,320.493	4.3
7	United Kingdom	4,277.452	4.2
8	**China**	**3,527.716**	**3.5**
9	Switzerland	3,404.137	3.4
10	Japan	3,084.717	3.1
11	Italy	3,067.078	3.0
12	Netherlands	2,612.483	2.6
13	Canada	2,606.013	2.6
14	India	2,583.293	2.6
15	Belgium	2,224.645	2.2

Source: Hungarian National Bank, based on the ultimate owners' nationality

The change in Hungary's institutional setting due to the economic integration into the EU has been an important driver of Chinese FDI in the CEE region, especially in the manufacturing sector. We identified three waves of Chinese FDI into the country. First, EU membership (2004) allowed Chinese investors to avoid trade barriers and provide an assembly base and access point to the EU, though in this period, there were just a few Chinese projects realised in Hungary. The second wave of Chinese FDI dates back to the global economic and financial crisis, when many financially distressed companies all over Europe, including Hungary, were acquired by Chinese counterparts. Some of these led to an 'indirect' Chinese ownership of firms in Hungary, whereby parents of Hungarian subsidiaries in other European countries were acquired by Chinese firms. The third wave emerged after 2017 and accelerated in the past two years (2022–23). Most recent announcements of large projects indicate a steady pace in 2024 (see earlier).[21]

As Figure 5 shows, Chinese investors channel their investments mainly indirectly to Hungary, which means that there is at least one intermediary country before the FDI reaches its final destination in Hungary in the majority of the cases. This intermediary country is typically Hong Kong, PRC, the United Kingdom, the Netherlands or Luxembourg. However, this is not a Chinese peculiarity as extra-European firms usually invest indirectly in Europe. The reasons for doing so include tax optimization, geographical distance, global production chain considerations and the aim to conceal the real origin,[22] but we can find more and more cases when the European parent company is acquired by a Chinese firm and thus it becomes 'indirectly' the parent of the European firm's subsidiaries in other countries, including in Hungary (see e.g. Yanfeng or Joyson in Hungary).

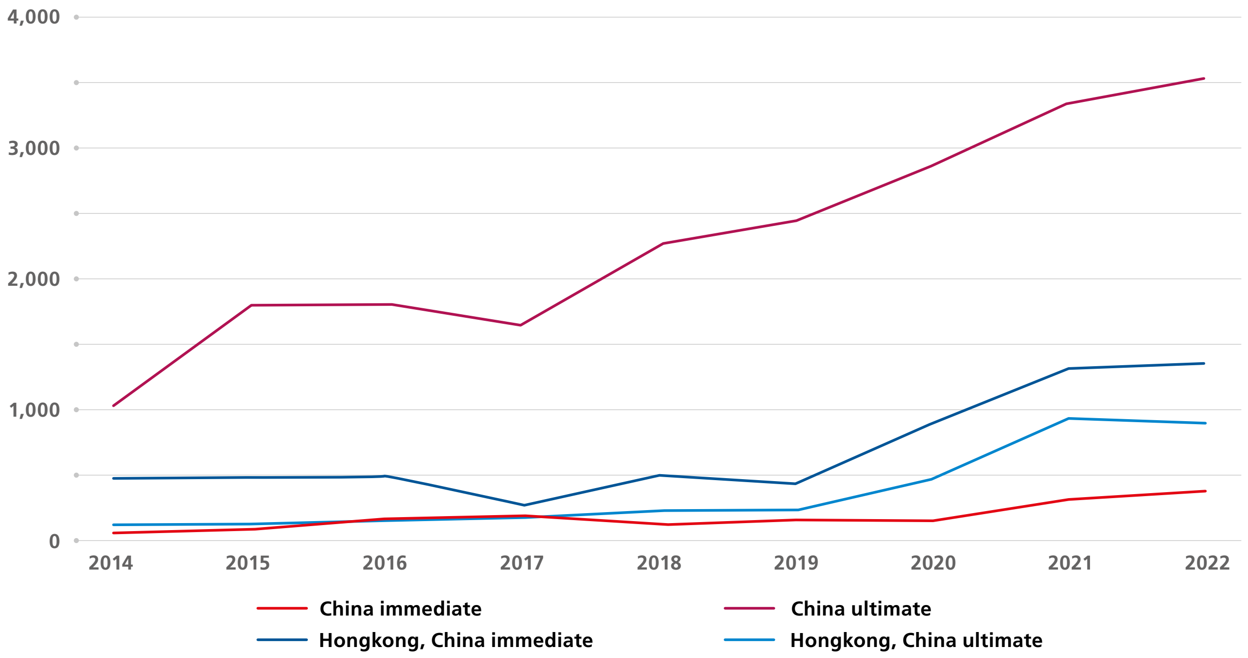
As for the sectoral composition of Chinese FDI in Hungary, it is highly concentrated in a few activities and in terms of projects as well. In the Annex Table, C denotes confidential data, in these cases there are just one or two investors/projects operating in Hungary. Chinese FDI mainly operated in manufacturing in 2022, especially in the food, chemical, rubber & plastics, electrical equipment, machinery and motor vehicle industries. Services were less targeted, but 'activities of head offices' and management consultancy stand out, indicating that Hungary can be used for financial optimisation purposes as well. FDI from Hong Kong, PRC is more concentrated in services, especially 'real estate' and 'activities of head offices' and management consultancy activities excel.

The overwhelming majority of the largest Chinese projects (Table 2) is realised or has been started in the last 3 years and take place in the automotive (and within that, the EV battery) industry. They include the largest (announced) FDI project realised in Hungary so far: the CATL investment in Debrecen. Some agglomeration effects can be found among the automotive/EV battery projects, which are concentrated in the Eastern part of Hungary (Debrecen, Nyíregyháza), with the leadership of CATL, as well as in the close proximity of Budapest (Komárom, Gödöllő). Furthermore, they are being built near the large German automotive investments in Hungary, mainly BMW in Debrecen and Daimler-Mercedes in Kecskemét, indicating a close partnership between the projects involved. The other way round, German and other European firms are also partnering with Chinese ones and establish plants close to their Chinese partners' projects in Hungary, such as in the case of the German Einhell or the French-German Forvia.

When looking for possible factors that made Hungary a favourable investment destination for China, efficiency-seeking ranks high. One of the main factors is the relative cost and quality of labour. Skilled labour is available in sectors where Chinese interest is growing, while labour costs are lower than the EU average. Similarly, corporate taxes can also play a role, as well as the generous state support offered to certain (not only Chinese) companies investing in Hungary. This is particularly striking in the past few years, with Chinese investments into the EV industry. European, South Korean and other companies have also received state support (around 10–12 % of the value of the investment) in the past and recently with large Chinese investments into the EV industry state support is directed to them. The amount of state support granted to Chinese companies in connection with individual investment projects (Table 3) is outstanding in the case of the large project of CATL. However, it is not only Chinese projects that benefit from generous state aid. Foreign investor firms are granted substantial financial help, as they are in other Visegrad or EU countries. A significant part of state aid went to foreign investments, strategic partners of the government and companies in the automotive sector. Between 2004 and 2021, the average support provided in the framework of individual government decisions amounted to around 50 million EUR. The main beneficiaries in terms of the amount of financial support were German investors in Hungary (28 %), Hungarian companies (16 %), South Korean investors (16 %), investors from other than Germany EU countries (12 %) and Japanese and US investors (5 % each). In this, "pre-EV battery period" the share of Chinese investors was just 1 %.[23]

Market-seeking motives also play an important role in attracting Chinese FDI to Hungary, as by entering the country, Chinese companies have access to the whole EU market. Based on previously conducted company interviews, Chinese companies choose Hungary due to their already existing businesses in Western Europe and to strengthen their presence in the wider European market. Thus, a combination of efficiency-seeking and market-seeking motivations can be prevalent, resulting, especially recently, in the third wave, in export-platform type Chinese FDI dominating in Hungary. The export-platform type of these projects can be underlined by the fact that the planned capacity of the BYD automotive plant in Szeged is 200,000,[24] while annual new car sales exceed 100,000 cars slightly in Hungary,[25] and by the high export orientation of the main partners, German automotive subsidiaries, of the Chinese EV battery plants (in 2023, the Mercedes Benz plant in Kecskemét had a 99.8 % export per sales ratio, while in the case of the Audi plant in Győr this ratio was 99.5 %, with exclusively selling on EU markets for Mercedes and almost exclusively (95 %) for Audi[26]). The recent dominance of the export-platform type

Figure 5
Annual stock of inward FDI from China and Hong Kong, PRC in Hungary, according to the nationality of the immediate and ultimate owner, 2014–2022, million EUR



Source: Hungarian National Bank

Table 2
The top Chinese FDI projects in Hungary

Chinese company investing in Hungary	Year of investment	Location	Amount of investment (million EUR)	Type of investment (greenfield / brownfield / M&A)	Sector
CATL	2022	Debrecen, Hajdú-Bihar county	7,340	greenfield	Automotive, EV Battery
Wanhua (Borsodchem)	2010	Kazincbarcika, Borsod-Abaúj-Zemplén county	2,000	acquisition	Chemicals
Huayou Cobalt	2023	Ács, Komárom-Esztergom county	1,400	greenfield	Automotive, EV Battery
BYD Co. Ltd.	2008 2017 2023	Komárom, Komárom-Esztergom county (bus factory)/Szeged, Csongrád-Csanád county (car factory)	35.5/n.a. ("billions of euros" according to media sources)	acquisition with brownfield "features"/ greenfield	Automotive, EVs
Huawei Technologies Co. Ltd	2005	Budapest (manufacturing activity is outsourced to Foxconn, their factory is located in Komarom, Komarom-Esztergom county)	1,300	greenfield	Telecommunication
EVE Pro	2023	Debrecen, Hajdú-Bihar county	1,070	greenfield	Automotive, EV Battery
Sunwoda Mobility Energy Technology Co., Ltd.	2023	Nyíregyháza, Szabolcs-Szatmár-Bereg county	245 (1st phase)	greenfield	Automotive, EV Battery
Semcorp	2020	Debrecen, Hajdú-Bihar county	183	greenfield	Automotive, EV Battery
Chervon China Ltd.	2020	Miskolc, Borsod-Abaúj-Zemplén county	50	greenfield	Automotive, Metal parts
Halms Hungary Ltd.	2022	Debrecen, Hajdú-Bihar county	40	greenfield	Automotive, EV Battery
Shenzhen Kedali Industry Co., Ltd.	2020	Gödöllő, Pest county	40	greenfield	Automotive, EV Battery
Shenzhen Kedali Industry Co., Ltd.	2020	Gödöllő, Pest county	40	greenfield	Automotive, EV Battery

Source: own compilation based on press releases and company websites

Table 3
The top Chinese FDI projects in Hungary

Company	State support (in EUR)
Shenzhen Kedali Industry	3.4 million
CATL	845 million
EVE Power	37 million
BYD (Komárom)	2.4 million
Halms Hungary Kft	4 million
SEMCORP Hungary	34 million
Nio Power Europe Kft	4.5 million
Huayou Cobalt	132 million

Source: own compilation based on press releases and company websites

projects is important to emphasize when we want to identify the main competitors of Hungary for these projects: these are the EU-member countries with relatively low labour costs and with automotive tradition, i.e. mainly the Visegrad countries and Romania. Given similarities in factor endowment, traditions and state aid, we can suspect that Hungary's winning of these important large projects can be linked to political connections and not only to economic advantages compared to these competitor countries.

In addition, there are also cases of Chinese companies following their customers (see for example Chinese EV battery producers following German car manufacturers to Hungary and the other way round), or competitors (see for example Chinese BYD's or Great Wall Motors' investment). Moreover, through their Hungarian subsidiaries, Chinese firms can participate in public procurements and access EU funds or, by investing in the Hungarian food industry they can export agricultural products with EU safety certificates to China where food safety causes problems.[27]

Institutional aspects are also important. From the Chinese perspective, the EU means institutional stability (including, for example, the protection of property rights), that offers greater planning and property rights security, as well as dedicated professional services that can support business development for Chinese companies. In Hungary, national level factors are perhaps even more important (and distinguish the country from other CEECs). These include, among others, strategic agreements[28] and tax incentives and the above-mentioned financial support. Based on our research, Chinese companies appreciate highly the business agreements that are supported by the respective host country government. Thus, the high-level strategic agreements with foreign companies investing in Hungary offered by the Hungarian government, could have also spurred Chinese investment in the region. Moreover, personal (political) contacts between representatives of the respective host country government and Chinese companies also proved to be important when choosing Hungary as a host country.

Based on company interviews, we also found that a significant role is devoted to other less-quantifiable aspects, such as the size and feedback of the Chinese ethnic minority in the host country and possibilities of acquiring visa and permanent residence permit. Hungary has the largest Chinese diaspora in the region. Moreover, it is the only country in the CEE region that has introduced a special 'golden visa' programme enabling foreign investors to acquire a residence visa in exchange for investing a certain amount of money. In 2024, the Hungarian government introduced the guest investor residence permit, which is a good opportunity for third country investors to settle and move within the Schengen area. There are three different investment options to choose from: EUR 250,000 in investment certificates issued by a real estate fund registered with the Hungarian National Bank; EUR 500,000 directly in Hungarian residential real estate projects; or a donation of EUR 1 million to an institution of higher learning "maintained by a public interest trust foundation performing a public task."[29] The first two options are likely to be popular among Chinese people and boost the Hungarian real-estate market too.

Political relations between China and Hungary also seem to have influenced Chinese MNEs' investment decisions. CEE countries like Hungary and Serbia have acted in favour of China, supported Chinese global and regional initiatives, and/or welcomed and fostered Chinese MNEs' investments.[30] As a result, they typically host, or have hosted during the period of friendly ties, more Chinese FDI stock than countries having a neutral or negative stance on China, as we indicated above.

One important aspect of the bilateral relationship is the controversial role of EU rules and regulations, and these are recently changing in a negative direction for Chinese investors. On the one hand, investment screening and export control may affect them negatively. Commission initiatives on inward and outward investment screening and the coordination of export controls were proposed in January 2024. The proposal relating specifically to investment screening intends to repeal the regulation in place (2019/452), which indicates a thorough overhaul rather than a patching up of the existing mechanism. Indeed, the main reforms amount to a much stronger system as (1) all member states will be obliged to set up a screening regime, (2) indirect acquisitions will be in the scope of the process, (3) a minimum core of key sectors will have to be screened, and (4) the timelines and procedural criteria will be much more streamlined. In particular, the second point would make for a significant change. It implies that third party investors will not be able to circumvent the screening regime through their established and registered subsidiaries in the EU. The proposal is unlikely to enter into effect before late 2025. On the other hand, the planned increase of tariffs for selected Chinese EVs may induce firms to set up their within-EU production base as a kind of tariff-jumping FDI in order to qualify for tariff-free entry in other EU countries. This may be one important factor behind the increasing EV and EV parts FDI from China in Hungary. As it was mentioned above, planned capacities are substantially larger compared to what the Hungarian market can accommodate, underlining the export-platform nature of these investments.

CHINESE FDI VERSUS FDI FROM OTHER COUNTRIES

There is a large literature on the differences between the characteristics and behaviour of emerging (including Chinese) and "established" (Western) multinational companies. These characteristics include rapid internationalisation, lower level of risk aversion, in certain cases special firm-specific advantages, close links to the government, including access to financing from state banks or substantial state aid from their own government, the importance of the strategic asset seeking motive when acquiring firms in developed economies, the presence of not only economic but also political motives when investing abroad and so on[31]. Because of these specificities, Chinese investment projects in many cases are considered to be riskier than those by "established" Western multinationals. In Central and Eastern Europe, Hungary had no negative experiences with Chinese investors, as opposed to the other countries of the region, as e.g. the COVEC case[32] in Poland or the failures of CEFC[33] in Czechia. In the case of Hungary, Chinese investment has long been received positively, or at least neutrally, thanks to positive government communication and lack of scandals. This started to change when investors in the battery industry started to enter the market.[34] However, it was not the Chinese nature of the investors that bothered the public, but rather the largeness of the projects, the lack of transparency and the perceived risky nature of the activity (from an environmental and health points of view) given local conditions on the planned investment locations. This type of risk awareness could also be largely due to the violation of regulations and the polluting, health-harmful activities of South Korean battery companies that have been operating in the country for a few years now.

INFRASTRUCTURE PROJECTS

Besides FDI, other modes of entry of Chinese capital are also growing in Hungary. China has been planning and negotiating several infrastructure projects in Hungary for the past two decades or so, including a train connection between downtown Budapest and Budapest airport, a bypass ring railway around Budapest, an airport in Eastern Hungary (Debrecen) and another in Western Hungary (Szombathely). Yet none of these materialised so far. During President Xi's recent visit to Budapest, several agreements were signed some of which may entail the expansion of the Belt and Road Initiative, potentially encompassing infrastructure investments, including the development of a rail freight bypass around Budapest and a rail-based link to the capital's Ferenc Liszt International Airport,[35] as well as nuclear energy projects.[36] As an interesting novelty, it was announced during the presidential visit that Chinese firms plan to build a border station between Serbia and Hungary. This is a critical infrastructure not only for Hungary, but for the EU as well, because this is a Schengen border crossing. This and the nuclear involvement of China[37] both raise security questions.

THE ONLY ONE SO FAR: THE BUDAPEST-BELGRADE RAILWAY

The Budapest-Belgrade railway line is a 350-kilometre-long connection linking the majority Chinese-owned port of Piraeus in Greece with Central Europe and passing through Northern Macedonia, Serbia and Hungary. The railway was first discussed in 2013 at the Bucharest summit of the 16+1 platform, a diplomatic forum between 16 Central and Eastern European countries and China.[38] The construction agreement was signed by Hungary, Serbia, Macedonia and China at the 16+1 summit in Belgrade in 2014.[39] Construction was due to start in 2015 and the railway was to be operational by 2017, yet the Hungarian section is still under construction in 2024.

A Hungarian-Chinese consortium secured the construction contract in 2019, and Hungary and China signed the loan agreement in April 2020.[40] In May 2020, the Hungarian Parliament passed a law codifying the commitment to the railway project and also classified information related to it.[41] The details of the loan agreement are thus unknown, except that the loan is worth USD 1.855 billion, with a 20-year repayment period and a 2.5 % interest rate.

The main reason for the delay of the Hungarian section is that in May 2016, the European Commission (EC) opened a preliminary infringement procedure against Hungary for suspected corruption in the deal, citing irregularities in the contract award and uncertainties about the role of the Hungarian State Railways (MÁV).[42] The EC investigated the details of the project in 2017, but stopped short of a full investigation.[43] Another obstacle emerged in September 2023 due to the contracted parties' inability to install the European Train Control System (ETCS).[44] This is required for trains to travel at a higher speed.

For the Chinese authorities, the construction of the railway could help export engineering and construction excess capacity, while also bringing logistical benefits by diversifying trade routes. In addition, if the upgrade is ultimately successful, it could open doors to the European construction market for Chinese companies, as the project would demonstrate their ability to work according to EU standards. As for Hungary, its participation is driven by the ambition to become a transport hub for Europe and to develop closer ties with China.

BUSINESS ACTIVITIES OF CHINESE LIVING IN HUNGARY

According to the 2022 census, there were 18,154 persons of Chinese nationality living in Hungary[45]. The real number may be as high as twice of that amount, but even this may seem small compared to the number of Chinese residents in the highly populated Western or Southern European countries and cities, but it is far from being small compared to the Hungarian population, and it is by far the largest Chinese community in the Central and Eastern European region (roughly 9,000 Chinese citizens are registered as living in Poland, a bit more than 8,000 in Czechia, while in Slovakia only a few thousand[46]). Moreover, this figure does not include golden visa holders or Chinese citizens residing in Hungary on work, student or other visas.

There are many myths surrounding the activities of Chinese individuals living in Hungary, but it is very difficult to find concrete data on them and the businesses they run. While collecting data on Chinese investments, we noticed a number of Chinese companies that are founded and registered locally by Chinese residents in Hungary. These firms often have Hungarian or English names, and some of them were established in the 1990s, when a large number of Chinese arrived in the country thanks to a relatively short visa-free period. Two of the best known are Wink (footwear) and Dr Chen’s Patika (vitamins and herbs). Other businesses were established in the 2000s, with a wide range of activities, but typically engaged in wholesale and retail activities in the clothing or electronics segments or running restaurants. Over the past decade, local Chinese businesses in real estate and medical services have also emerged. These businesses are small in size, and their turnover is not outstanding.

4

ASSESSING POLICY APPROACHES AND REALITIES ON BOTH SIDES

In this section, we discuss Hungary's and China's respective policy approaches towards each other. We start with China's approach to Hungary, particularly as an investment destination in the context of the Central and Eastern European region. We focus on China's localisation strategy towards Hungary and the latter's role in China's Belt and Road Initiative (BRI). Besides China's recommendations pertaining to Hungary, we also discuss company-level strategies. In the second part, we continue with Hungary's approach towards China as an investor and a financier of key projects. We focus on Hungarian government strategies addressing China, its FDI policies and state grants for East Asian investors, and the role of the Hungarian Investment Promotion Agency. Finally, we also bring in a societal aspect by examining the perception of China in Hungary.

CHINA'S APPROACH TO HUNGARY

China's approach towards Hungary is rooted in a mixed emphasis on politics and economics, with the former setting the basic tune of the relationship. For Beijing, Hungary's significance stems from its reliable support for key Chinese political, diplomatic, and economic initiatives, even as Hungary remains embedded within the Euro-Atlantic alliance. Politically, Hungary is useful in this position to fend off Western criticism directed at China that alleges a Cold War mentality and the formation of ideological blocs, which China sees as harmful for its ambitions globally and within Europe. Hungary's continuing friendship is particularly appreciated in the context of souring ties with the rest of the Central and Eastern European region,[47] and the general turn away from Chinese initiatives like the BRI, from which Italy exited in late 2023,[48] or the 17+1, which today stands at 14+1 after the withdrawals of Lithuania in 2021 as well as Estonia and Latvia in 2022.[49]

In recent years, Hungary has become an example of the relationship China seeks to build with smaller powers. Hungary endorses the five principles of coexistence, the centrepiece of China's foreign policy approach to others. Hungary's value also stems from its engagement in conflicts with its Western partners. This is visible in Hungary's support for the BRI,[50] Huawei's 5G,[51] and China's peace agenda for Ukraine.[52] In addition, the Orbán-government appeals to the prestige of China by explicitly embracing the one-China policy.

In exchange, China rewards Hungary primarily through investments and, more recently, the exceptional attention Hungary receives despite its size. In early May 2024, Chinese President Xi Jinping visited Hungary, besides France and Serbia, during his five-day European tour. The visit marked the 75th anniversary of the establishment of diplomatic relations between Hungary and the People's Republic of China (PRC). It was also a sign of China's gratitude at a time when fears of decoupling abound, the EU is stressing the need to derisk relations with China, and trust and goodwill towards the Beijing government is becoming a scarcity in the West. Besides signing 18 agreements on a range of issues including nuclear energy cooperation, China elevated its relationship with Hungary to the status of an all-weather comprehensive strategic partnership.[53] This is a major change putting Hungary just below Russia and Pakistan in importance, and a telling indication that Hungary's gestures and efforts are recognized and appreciated in Beijing.[54]

In addition, China finds in Hungary a staunch supporter of a more multilateral and polycentric world, one that is not organised by political values or ideology but by openness towards deepening economic relations. China needs such a world order to continue its export-oriented strategy and to encounter less hostility towards what it claims to be its core interests,[55] while Hungary needs it primarily for its development strategy focusing on FDI to succeed.

China's localisation strategy is a reflection both of Hungary's particular strengths and its strong disposition to welcome investors from all over the world. In regional comparison, Hungary's ability to draw Chinese FDI is outstanding, and its gains over other CEE countries are likely to grow with recent high-profile investments like BYD in Szeged and CATL in Debrecen.[56] Politically, the backbone of these investments is the Orbán-government's steady commitment to maintaining close ties with China, which is exceptional and thus something of a comparative advantage in the region. Yet, there is an economic rationale behind these deals. Due to its specialisation in the automotive industry and given the sector's imminent changes related to its green transition, Hungary prioritises its automotive industry and seeks to become a trailblazer in the sector's electric vehicle (EV) transformation.[57] In China's view, this strategy is coupled with Hungary's firm integration within European automotive supply chains, providing it with a solid base to service the electric battery needs of Chinese carmakers and also those of their

Western European competitors. China also appreciates the myriad state support grants Hungary offers as a way to retain and cement its competitive edge. The picture emerging is thus of a win-win scenario in which national interests are mutually compatible and even interdependent. Just as Budapest banks on the EV sector to be the cornerstone of its development strategy, Beijing banks on Hungary remaining a stronghold of China-friendly policies and facilitating the unfolding of its EV push in Europe and beyond. Provided the necessary conditions are in place and the investments come to be, Hungary is estimated to become second only to Germany in battery production by the year 2030.[58]

China's interest in Hungary stems from a range of assets not limited to the Orbán-government's political sympathy. Besides Poland in the CEE region, the Bank of China established a branch of its operations in Hungary in 2014, which was approved as an RMB clearing bank in 2015.[59] Budapest also hosts the biggest Chinese diaspora in Central Europe, which peaked at roughly 50,000 people in the early 1990s. Since then, the number dropped to circa 30,000 as many returned to China or moved on to Western Europe.[60] Over time, the makeup changed. Between 2013 and 2017, a new wave of well-off Chinese looking for a European lifestyle came and took advantage of the residency bond scheme giving them a 10-year permit to stay for a price of EUR 300,000.[61] Chinese immigrants have an option to send their children to the Hungarian-Chinese bilingual public school in Budapest, which was inaugurated in 2004 as the first of its kind in the CEE region. There is also a lively Chinese neighbourhood around Monori Center in Budapest's X. district hosting authentic Chinese restaurants and shops.

Hungary's policies and government agencies supporting investors are likewise appealing for China. Investment promotion has been gradually centralised in Hungary, serving the needs of very large projects. The role of local authorities in attracting FDI has been diminished considerably.[62] The Hungarian Investment Promotion Agency (HIPA) is a key intermediary greasing the wheels of business relations, facilitating projects of investor interest, and bridging problems of sociocultural differences. Initially established as Hungarian Investment and Trade Agency in 2011 but renamed in 2014, HIPA is governed by the Ministry of Foreign Affairs and Trade and its primary task is to provide professional assistance to foreign and Hungarian companies seeking to invest in the country. According to HIPA's report, FDI inflow in 2023 set a new record at EUR 13 billion, more than double the amount in 2022. The agency managed 209 projects overall, 19 of which accounted for 82 % of FDI inflow and were linked to East Asian investors such as China, South Korea and Japan.[63] The Hungarian Chamber of Commerce and Industry is another entity supporting business activities and managing foreign relations through its dedicated bilateral committees.[64]

Other incentives have to do with Hungary's corporate tax rate at 9 %, the lowest in Europe,[65] and cash grants, tax benefits and exemptions, and other subsidies based on individual government decisions, asset investments, Business Service Centers (BSCs), R&D projects, and more. These incentives create a tangible downward pressure in the taxation system, which is a key pillar of Hungary's competitiveness. To protect it, the Orbán-government initially vetoed the OECD Global Minimum Tax in the EU, which seeks to levy a general 15 % rate on MNEs with revenues above EUR 750 million.[66] The veto was eventually lifted after agreement that the local business tax would be counted in the effective tax burden, which guarantees Hungary's compliance with the 15 % rate without increasing companies' payment obligations.[67] Hungary's favourable tax environment is doubtless a key factor in Chinese companies' choice of investment destinations.

HUNGARY'S APPROACH TO CHINA

As a background, it is important to note that due to various circumstances, after 1989, Hungary based its development strategy mainly on FDI. By the time of EU accession in 2004, foreign-owned players had become dominant in various sectors of the economy.[68] The 2008–9 crisis showed how vulnerable this model was and what its limits were in the era of GVCs, where domestic spillovers remain limited and thus they do not help local firms increase their productivity, efficiency, competitiveness and they are even crowded out from the local market. From 2010 on, the Orbán-government tried to deviate the development strategy by „taking back" certain sectors (energy, banking, media, telecoms and retail) in domestic ownership[69], and trying to give more financial and other help to domestic companies in order to improve their competitiveness and their ability to be the "engines of growth". However, it was realised soon that domestic companies as a group cannot replace foreign-owned ones in that area, due to their lower productivity, technology, capacity and management weaknesses. Furthermore, as the domestic partnerships and positive impact on the domestic economy of foreign-owned firms remained limited, it is also obvious that this model can be maintained only by the constant inclusion/inflow of new FDI. As there is a slowdown in international FDI flows[70] and only a few sectors and countries have remained/become important sources of FDI, greenfield Chinese (EV-related) investments[71] are of special importance for the maintenance of the model.

Since the early 2000s, economic considerations related to trade and investment were the primary determinants of Hungary's approach to and interest in China. More recently, however, the relationship's political significance has also increased. The cornerstone of Hungary's strategy is the Eastern Opening policy, which Orbán announced in a programmatic speech in November 2010. He explained that despite the Western flags under which Hungary sails the wind is ever strongly blowing from the East, and no competent seafarer can safely navigate his ship without taking such a change into consideration.[72] Over time, the metaphor came to indicate Hungary's balancing between its existing, value-based political commitments towards the West and its interest to make the most of the rise of East Asia's developing economies, the Chinese in particular. This intention has become most pronounced after Orbán's return to power in 2010 and during his consecutive administrations, but the recognition to benefit from China's emergence goes back to the socialist government of Péter Medgyessy (2002–2004).

Though at times called both a strategy and a policy, there is no official document at either of those levels spelling out the Eastern Opening and its exact substance. Instead, it is more of a general guidance for the directions of Hungarian foreign and economic policy, allowing key political figures to interpret its objectives and interests, without a systematic inventory of the means to achieve those. It is known, however, that in 2012 the primary goals were to double by 2020 Hungary's export volume to EUR 3 billion, including the share of small and medium enterprises (SMEs), and its inward and outward FDI to EUR 30 billion. The Eastern Opening was originally conjoined with 'western keeping', which indicated that the change in policy emphasis is compatible with Hungary's embeddedness in Euro-Atlantic institutions, but contemporary references no longer mention it. The 2011 Foreign Policy Strategy stressed Hungary's 'Global' Opening,[73] but it was later changed to 'Eastern' to indicate geographical preference.

The policy identifies East Asia as the driver of global productivity and a key, untapped source of capital for Hungary. It stresses the need to deepen and intensify relations in that geographical area for the sake of securing markets and raising Hungary's profile as an investment destination. To facilitate the policy and support Hungarian companies' export activities, the government initially set up a system of national trading houses across the globe. These proved expensive to maintain without much to show in terms of results. Some of them were also caught up in local corruption scandals, and the system was eventually discontinued.[74] Furthermore, as we showed, in exports, China's importance and share has been minor and rather low compared to other EU members. Besides trade, the policy heavily emphasises FDI and is addressed to emerging market investors, with the government signing strategic partnership agreements with foreign companies to cement cooperation. Such agreements are sought with both Western and Eastern enterprises and their number has grown close to 100 by today.[75] This shows FDI to be a strategic area of the economy over which the Orbán-government keeps close control as the development model of the country needs a constant influx of FDI.

In 2015, the National Bank of Hungary (NBH) announced its decision to start developing a Chinese currency portfolio. The rationale behind the decision was the growing weight of the Chinese economy and the increasing influence of the renminbi in the international monetary system.[76] In the same year, the Budapest Renminbi Initiative Conference was launched to deepen ties between the NBH and the People's Bank of China (PBoC). The conference has since been held annually, the last on 1 May 2023 on topics related to financial interconnectivity, green funding, and opportunities for central banks in sustainable finance.[77] The MNB has since explicitly supported the issuance of yuan-denominated bonds to strengthen financial relations between China and Hungary.[78] In July 2017, Hungary issued so-called panda bonds for the first time on the Chinese onshore market in the amount of 1 billion yuan (EUR 130 billion).[79] Since then, Hungary issued green panda bonds, first in 2021 for 1 billion yuan and then in 2022 for 2 billion yuan, to meet financing demand for green projects.[80] In April 2024, finance minister Mihály Varga announced after his visit to China that another round of panda bonds is to be expected in the second half of 2024 to further support Hungary's debt management.[81] He added that Chinese financial institutions consider Hungary to be a European bridgehead for their operations.[82] Besides the renminbi, Hungary also issued samurai bonds denominated in Japanese yen in the mid-2000s and then more recently in 2020 and 2022.

In recent years, Hungary came to see in China a development model in which a strong and centralised state, high level of state intervention in the economy and high levels of growth driven by capital-intensive industries[83], are possible.

Closer ties with China are a constant source of tension between Hungary and its Western partners, indicating that the Eastern Opening is a risky strategy. The Orbán-government on a number of occasions opposes Western attempts to criticise the Beijing-government. This was the case in July 2016, when the EU was unable to adopt a statement regarding the South China Sea ruling due to intransigence from some of its member states including Greece and Hungary.[84] Another was in April 2021, when Hungary drew the ire of Germany for blocking an EU statement critical of China's efforts to curb freedoms in Hong Kong.[85] The Orbán-government also rocked the boat after it welcomed and explicitly sided with China's peace plan for Ukraine, being the only EU member state to do so.[86] In the case of Huawei, Hungary is consistently indifferent to security risks associated with the Chinese company, and it seeks to better ties between Huawei and 4iG, a Hungarian company the Orbán-government is grooming to become a national champion in telecommunications.[87] During the pandemic, the Hungarian-government was exceptionally vocal in seeking and praising China's assistance in the form of masks, vaccines, and breathing devices.[88]

When it comes to societal relations, while the overall approach has been rather neutral, nowadays Hungarian citizens worry that the influx of Chinese investments is fertile soil for problems of coexistence with people of markedly different social and cultural background due to the fulfilment of new jobs with foreign guest workers because of lack of available local workforce.[89] In addition, the authorities have so far been passive and unresponsive to society's calls to address and manage anticipated issues. There are fears of smaller Chinese communities setting up shantytowns in larger cities. In Debrecen, for instance, news of a planned workers' hostel with a capacity to accommodate 20 thousand employees of CATL caused concern in the community.[90] Another issue is the Orbán-government's own zealous dedication to removing any and all obstacles in the face of Chinese projects. This includes expropriating properties along the lines of the Budapest-Belgrade railway upgrade, which is done at a price owners claim is not matched by market value and there is little to no recourse for effective legal remedy.[91] Finally, there has been widespread opposition to the planned construction of a campus in Budapest for Fudan University.[92] The plan is currently shelved as certain public investments are postponed to stop a runaway budget deficit from getting out of control.[93]

5

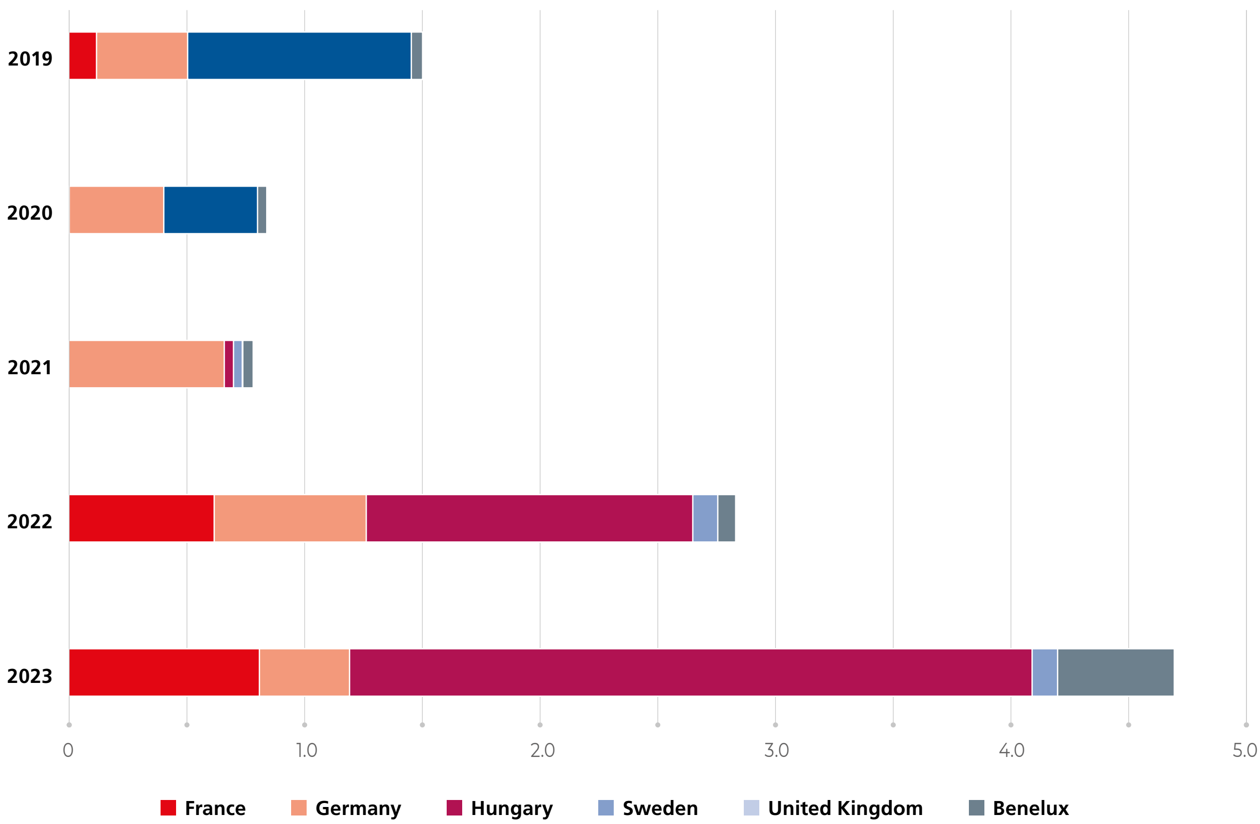
THE IMPLICATIONS OF CHINESE COMPANIES' ACTIVITIES IN HUNGARY

THE EV BATTERY SECTOR – CHINESE PRESENCE IN HUNGARY

Hungary has become the main target of Chinese EV battery investments in Europe in the last two years. (Figure 6) Opposite to for example Sweden, or other European countries, Hungary has no comparative advantage (natural resources, energy, labour, technology) for creating a huge EV battery sector, however, significant, mainly foreign-owned production capacities operating in the transitioning automotive industry provide a basis for these developments. Critiques mention that decisions are top-down, excluding stakeholders, such as local communities, even representatives of the local government, NGOs, experts,[94] from the process. There are yet no plans to transfer R&D activities to Hungary, mainly cost-effective assembly will be carried out, although realised more and more by guest workers as there is an increasing lack of available local workers. Value-added in the EV battery chain is especially low, offering no upgrading or connection possibilities for Hungarian firms.[95]

Being the primary host country target of Chinese EV battery firms in Europe is in line with the aim of the Hungarian government to become a large EV battery power in the world with a production capacity of 300 GWh per year by 2030[96]. This is motivated partly by creating jobs for those Hungarian workers, who will lose their workplaces as a result of the closure of traditional car production, partly by the fact that

Figure 6
Chinese EV investments in the European Union and the United Kingdom, EUR billion, 2019–2023



Source: based on Kratz, A., Zenglein, M. J., Brown, A., Sebastian, G., Meyer, A. "Dwindling investments become more concentrated – Chinese FDI in Europe: 2023 Update", *MERICS Report*, 6 June, 2024, https://merics.org/de/report/dwindling-investments-become-more-concentrated-chinese-fdi-europe-2023-update#msdynttrid=Zzx3mA3eShEvL5SgKS2UOZHPlutRhqg1el2CnTjUI1k.

manufacturing greenfield FDI after 2020 is mainly available in the EV sector globally[97]. (However, the riskiness of this endeavour is highlighted not only by the large fluctuations in demand for e-vehicles, resulting in a sudden fall of EV battery production and exports in May 2024[98] but also by the above mentioned growing protectionist tendencies in developed economies towards these products. A further risk is overspecialisation, due to the sheer size of the projects, which may increase the vulnerability of the economy, as was the case with the automotive sector in Slovakia.[99]) To achieve this aim, the government had looked to attract Asian investments into the battery sector by offering access to the European Union's internal market, for typical export-platform type of FDI. Batteries produced in Hungary will be exported to Europe, mostly Germany. In the beginning of 2024, 87 GWh EV battery production capacity is built in Hungary, but if all cars produced in Hungary were electric, around 24 GWh would be enough to supply these[100]. This shows that the aim of incoming Chinese plants is supplying the European market. Apart from mining, the whole battery supply chain is present in Hungary, Asian multinationals bring their own suppliers, do not work with Hungarian ones. As even the National Battery Strategy[101] (accepted in 2021) states, Hungarian companies do not connect to the battery value chain. EV battery factories already operating in the country are South Korean ones, Samsung SDI and SK ON. They are strongly export-oriented. Their often irregular practices violate environmental rules and those related to work security. This explains why a section of Hungarian society has an aversion to battery factories and oppose such Chinese investments.[102]

There is an increasing number of conflicts between civil opposition and governmental bodies in the area of the new e-battery investments. Governmental county offices give out permissions even if the environmental use documentation is not satisfactory. Information is lacking or contradictory in many cases, and decisions are not transparent. In 2020, when the government decided to develop the battery industry as a national priority, there were no cost-benefit calculations, feasibility plans, or coordination with professional and environmental organisations. This is a constant source of conflicts and tensions, which may be detrimental to basically all stakeholders: local communities, investors and the government alike.

OTHER ISSUES

In terms of employment relations, a previous study found that Chinese investors do not differ substantially from other Asian ones,[103] as they mainly adapt to the local business and employment relations environment and regulations. (Differences are however substantial between Asian and 'Western' investors, based on the preliminary results of an ongoing study.) However, all Asian investors stick to some of their 'own' practices. In the case of Chinese investors, we found in international (and in Asian) comparison a relatively high number of expats and use of domestic practices such as shift-based team-level bonus systems or Chinese managers paralleling Hungarian ones. Our interview with trade union leaders confirmed that a lot depends on the Chinese management, which is usually cooperative. In the case of Borsodchem for example, worker-leader relations have been overall good, though the trade union was established well before the Chinese company acquired the Hungarian firm. In general, Chinese managers allow the formation of a trade union. According to the interview, at present there is no foreign guest-workforce in Chinese firms operating in Hungary[104] and health and safety regulations are respected.

6

CASE STUDIES

HUAWEI

Founded in 1987, Huawei is a leading global provider of ICT infrastructure and smart devices. It operates in more than 170 countries and employs more than 207,000 people globally. Huawei has developed an extensive global innovation network, with 18 R&D centres in Europe alone.[105] For manufacturing, Huawei leverages the electronics industry's highly developed and specialised supply chains. Huawei's strategy for CEE follows its approach in China, whereby it focuses on areas not yet captured by global competitors. In China, these were small towns and villages, while in CEE Huawei started with only a few projects, without formally setting up offices. The latter were only established later, once the business in the country started maturing, with the number of projects, customers and partners all increasing.

The company opened its first subsidiary in Poland in 2004, and in 2005 it set up subsidiaries in Hungary, the Czech Republic, Ukraine and Latvia, which were followed by a number of further entities[106]. Today, the company has 25 offices in the region, both large and small, which sets it apart from competitors such as Ericsson and Nokia. In Hungary the company gained foothold with a representative office first, then gradually expanded its activities. Today the Hungarian affiliate is a major location for the company. Although the regional headquarters are in Warsaw, Hungary is home to the logistics and supply centre, a manufacturing centre (in cooperation with Foxconn) and a research and development division. The Hungarian government is strongly committed to working with the company. At the end of 2019, despite mounting pressure from Western allies such as the United States, the Orbán-government announced that Huawei is building a 5G network in Hungary.[107] This is broadly consistent with other Europe countries like Germany or Italy also relying on equipment and technology from Chinese operators.[108]

As it has cooperated with practically every mobile operator in Hungary, at least 50 percent of Hungarian mobile phone connections are made using devices manufactured by the company, and Huawei devices and equipment are also used to provide internet to millions of Hungarian households. Huawei Technologies has also been involved in the implementation of several government projects (e.g. 112 emergency call service). Huawei seeks to integrate Hungarian suppliers into its supply chain, however, based on the supplement to the balance sheet of Huawei Technologies Hungary Ltd., it is strongly linked to "fellow subsidiaries" owned by the Chinese parent: in 2022, more than three-fourths of total costs were paid to "fellow subsidiaries" owned by the Chinese parent but operating in other parts of the world, while revenues from linked companies amounted to more than one third of total. Huawei Hungary, however, does not carry out any traditional manufacturing activities in the country, as it outsources these to the Taiwanese company Foxconn, therefore it is difficult to assess the extent of its involvement with domestic suppliers.

WANHUA-BORSODCHEM

The Chinese state-owned chemical giant Wanhua Industrial Group acquired a 96 % stake in the Hungarian chemical corporation BorsodChem for USD 1.6 billion in 2011.[109] Already in foreign hands at the time, the Hungarian company had been in a near-bankrupt situation after the global economic and financial crisis. The acquisition not only helped the company gain new markets but also kept jobs and improved profitability. The buyout of British and Austrian financial investors by Wanhua created one of the world's largest manufacturers of polymerized toluene diisocyanate (TDI), an important plastic used in automotive and construction industries, and polymeric methylene diphenyl diisocyanate (MDI), another key industrial polyurethane.

The case of Borsodchem is special because it was not set up as part of a greenfield investment, but as the result of an acquisition. The company had already been operating in Hungary before, with its own research and development activities, management, HR and marketing functions and an established supplier network, including domestic suppliers. No precise information is available as to whether the Chinese owner has retained all these suppliers, but it is assumed that it has, since it was exactly the well-established production chain that the Chinese acquirer wanted to keep.

The company is a major employer with around 3,200 employees (all Hungarian) in Borsod-Abaúj-Zemplén County, and also contributes to the development of the host city, Kazincbarcika. The company supports environmental projects, health foundations, and organises cultural and sports events. The company regularly holds public forums and co-operates with the University of Miskolc. Since the acquisition, the company has been expanding steadily, with a focus on sustainable development. Most recently, a new production unit was handed over in the summer of 2023, as a result of an investment of nearly 400 million euros, which reinforces the vertical integration of MDI production.[110] The Hungarian state also contributed to this investment with a state aid of 45 million euros. In 2018, the grant money was examined by the European Commission and found to be in line with EU state aid rules.[111]

BYD

BYD, an acronym for "Build Your Dreams", was established by Wang Chuanfu in 1995 in Shenzhen. It is an electronics and automotive company that designs, manufactures and sells vehicles, rechargeable batteries, photovoltaic products, mobile phone components and other electronic products. BYD's technological advancement is due to a focus on building its own R&D capabilities from the start. BYD's real success lies in the fact that it has established a complete value chain from chip design, wafer manufacturing, to assembly, testing and downstream applications.

In the 2010s, BYD entered joint ventures with leading global car makers such as Daimler and Toyota where JVs were established in China targeting Chinese market. According to their website, BYD now has over 30 industrial parks and production bases worldwide, including a few outside China, like production sites in India, Hungary, France and USA.

BYD's first fully owned bus plant in Europe, in Komárom, Hungary[112], owes its location to BYD's microelectronics business: it was converted in 2016 from a factory that supplied microchips to a nearby Nokia mobile phone plant. BYD had taken over that factory in 2008 from the Korean company Mira, which had supplied Nokia before. Shortly thereafter the Nokia plant closed, BYD stopped production, leaving only a skeleton staff. According to earlier interviews, the idea to convert the plant to bus production was first mooted in 2015, when BYD won a tender in Hungary. The official justification was the convenient location of the plant to supply the European market and Hungary's tradition of bus manufacturing.

Based on our earlier interviews, the Komárom company's goal from the beginning was to turn the "designed in China, manufactured in Hungary" situation to a "designed in Hungary, manufactured in Hungary" one. As a result, buses for sale in Europe are typically designed by European staff. By 2019, 30–50 percent of spare parts were coming from Europe (typically from Western Europe), compared to 20 percent two years earlier. However, the proportion of European suppliers, including Hungarian ones, may even vary from bus to bus, because while one may have an Italian rear-view mirror, another may have a Spanish one, wheels may come from a Hungarian supplier or from elsewhere, etc. Some 90 percent of the roughly 260 employees are local, including some of the managers. At its Komárom factory, BYD also facilitated the establishment of a trade union upon workers' request, however, cooperation between the management and the trade union was not always unproblematic.

There is very little information on the EV factory in Szeged that was announced at the end of 2023[113], and where there were other countries/locations from within the Visegrad region but also from Western Europe and from other countries close to Hungary outside the EU, who competed with Hungary for the project. 224 rounds of negotiations preceded the announcement of the investment. In Szeged, the government has created a new industrial park covering a total of 300 hectares and it could offer a specific site for the Chinese car manufacturer's first plant in Europe.[114] The presence of the high-ranked Szeged University may also have played a role in the selection of the location.

CATL

Contemporary Amperex Technology Co. Limited (CATL) is the world leader in battery manufacturing with a market share of 38 %.[115] The company is one of China's leading companies and a leader in research and development in its field, supplying 30 automotive brands. It was founded in 2011 by its present chairman Robin Zeng, who later became vice president of the Association of Chinese Federation of Industry and Commerce (ACFIC) which is controlled by the Chinese Communist Party. From Ningde, CATL has begun to expand its production network. It has five R&D centres (one in Germany), 13 manufacturing bases (one in Germany, another under construction in Hungary), and 21 subsidiaries (five in Japan, France, Germany, Hungary and the US)[116].

CATL has long collaborated with German car companies, including BMW and VW. It has a factory in Arnstadt, Thuringia, where production began in a 14 GWh per annum capacity plant in 2022. The second European factory of CATL will be a much larger unit in Debrecen, Hungary, with a total capacity of 100–120 GWh capacity per annum. The investment value is EUR 7.2 billion of which 800 million are from the Hungarian state. This is by far the largest investment ever made in Hungary. The construction of the first phase is already underway. CATL will employ 2800 people in the first phase, including Chinese managers, operators (approx. 12 %) and probably some guest workers, although they strive for building a "core" Hungarian team

CATL has concluded cooperation agreements with Debrecen Vocational Training Center[117] and Miskolc University[118]. The company will participate in the practical training of students and the development of the curriculum. CATL will have access to the universities' expertise and research results. CATL's suppliers in the battery technology will be Chinese or Asian companies, partly located in Hungary. Core R&D activities will be kept in China.[119]

7

CONCLUSIONS

The China-Hungary relationship has steadily deepened in the past decade and is arguably at its peak today. The relationship is resilient and able to withstand not just geopolitical shocks like the war in Ukraine, but growing hostility towards Chinese interests in the EU and beyond. Bilateral ties are strongest in the economic realm, but the two sides are drawing closer diplomatically and often take similar positions in questions of international politics. Hungary is one of the main target countries of Chinese FDI in Europe, while foreign trade relationships are mainly shaped by the participation of the two countries in global value chains. These economic ties are increasingly asymmetric in favour of China.

For China, Hungary is a useful bumper state absorbing some of the tension with the Western community. The Orbán-government prides itself on being the vanguard of China and its interests and works to undermine antagonisms between the East and the West. Hungary's significance stems from its membership in flagship organisations like the EU and NATO while pursuing China-friendly policies. This makes for a slight divergence between the two parties' interests. Orbán is comfortable estranging his Western partners for the sake of better ties with China, yet Hungary is most valuable for the Beijing-government as long as it stays integrated in the Western community.

For Hungary, China is an appealing development model. It prioritises development and growth as the cornerstone of regime legitimacy, which is coupled with a heavy-handed role of the state in managing economic relations and industries of strategic importance.[120] The Orbán-government is heavily against any Western policies seeking distance from and protection against Chinese entities. Be it de-risking, decoupling, or de-globalization, all of them imply some harm to economic and investment relations with China. In such a world, Hungary's advantage stemming from its economic openness would be more limited, and its growth model based on the constant inflow of FDI likewise damaged. This also explains the criticism against sanctioning Russia, which the Orbán-government sees as a similar form of de-linking in an interconnected world that it prefers to keep interconnected.

Economically, China sees in Hungary a market and a gateway to the EU-market for its exported goods and a welcoming destination for its investments. China also appreciates Hungary's indispensable role in automobile value chains. With the Orbán-government's embrace of electromobility, Hungary's importance has only increased and Chinese investors in the EV industry are flocking in ever greater numbers to the country. In turn, Hungary relies most recently to a great extent on Chinese capital to sustain its development model focused on FDI and global value chains. Though the statistics do not indicate any significant drop of interest by Western investors, the Eastern Opening is a clear message about geographical focus, and Orbán himself emphasises East Asia as the new centre of gravity of the global economy. However, while creating new jobs and capacities in Hungary, the impact of these "third wave" Chinese investment on the local economy, national security, environment and society are yet unclear.

In recent years, Hungary played an important role in the EU's strategy of forcing Chinese producers to jump the increasing tariffs, supplemented with extra anti-subsidy rates and locate capacities within the EU. Hungary is one of the main targets of such export-platform Chinese FDI and near-shoring through offering access to the EU market but at the same time providing the factors and the favourable business environment needed for efficiency-seeking production. These new and large investments helped the Hungarian government so far to maintain a growth momentum and to strengthen its economic ties with China.

ANNEX

Table A1
Table Sectoral composition of ultimately China and Hong Kong, PRC owned FDI stock in Hungary, 2022.

		China		Hong Kong, PRC	
NACE		million EUR	% of total	million EUR	% of total
C	**Manufacturing**	3,046.12	86.35	148.26	16.36
10, 11, 12	Food products; beverage and tobacco	conf.	conf.	22.06	2.43
20	Chemicals and chemical products	conf.	conf.	0.00	0.00
22	Rubber and plastic products	conf.	conf.	0.00	0.00
23	Other non-metallic mineral products	0.00	0.00	conf.	conf.
24, 25	Basic metals and fabricated metal products	107.60	3.05	0.00	0.00
26	Computer, electronic and optical products	21.25	0.60	24.88	2.74
27	Electrical equipment	conf.	conf.	conf.	conf.
28	Machinery and equipment n.e.c.	conf.	conf.	0.00	0.00
29, 30	Total vehicle and other transport equipment	424.97	12.05	conf.	conf.
31, 32, 33	Manufacturing not elsewhere classified	conf.	conf.	0.00	0.00
D	**Electricity, gas, steam and air conditioning supply**	conf.	conf.	0.00	0.00
F	**Construction**	18.94	0.54	conf.	conf.
	Services (G,H,I,J,K,L,M,N,O,P,Q,R,S)	460.53	13.05	723.88	79.86
G	**Wholesale and retail trade**	131.19	3.72	24.70	2.72
H	**Transportation and storage**	conf.	conf.	conf.	conf.
J	**Information and communication**	conf.	conf.	conf.	conf.
61	Telecommunication	0.00	0.00	conf.	conf.
62	Information technology services	conf.	conf.	0.00	0.00
K	**Financial and insurance activities**	14.53	0.41	0.00	0.00
64	of which: Financial intermediation	14.53	0.41	0.00	0.00
6419	of which: Other monetary intermediation	102.12	2.89	0.00	0.00
L	**Real estate activities**	49.03	1.39	508.95	56.15
M	**Professional, scientific and technical activities**	267.10	7.57	189.67	20.92
70	of which: Activities of head office; management consultancy activities	229.38	6.50	189.67	20.92
72	of which: Scientific research and development	conf.	conf.	0.00	0.00
	Total	**3,527.72**	**100.00**	**906.46**	**100.00**

Note: Rows with 0 values are not presented. Positions marked with "conf." refer to figures that are known to the Institute of World Economics, but which the companies have not authorized to be published.
Source: Hungarian National Bank

ENDNOTES

1 European Commission, "Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre", European Commission, 30 March, 2023, https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063.

2 About Hungary, "PM Orbán: China is one of the pillars of our new multipolar world, it is the country that now shapes global economic and political processes", About Hungary, 9 May, 2024, https://abouthungary.hu/blog/pm-orban-china-is-one-of-the-pillars-of-our-new-multipolar-world-it-is-the-country-that-now-shapes-global-economic-and-political-processes.

3 Jones, M. G.; Genovese, V. "Faced with US and China, EU leaders call for sweeping competitiveness deal", Euronews, 18 April, 2024, https://www.euronews.com/my-europe/2024/04/18/faced-with-us-and-china-eu-leaders-call-for-sweeping-competitiveness-deal.

4 Small, A. "The meaning of systemic rivalry: Europe and China beyond the pandemic", European Council on Foreign Relations, 13 May, 2020, https://ecfr.eu/publication/the_meaning_of_systemic_rivalry_europe_and_china_beyond_the_pandemic/.

5 Greilinger, G. "China's growing foothold in Hungary", The Diplomat, 27 February, 2023, https://thediplomat.com/2023/02/chinas-growing-foothold-in-hungary/.

6 Policy Solutions "A világ magyar szemmel". PS, Budapest, 2024. https://www.policysolutions.hu/userfiles/Policy_Solutions_A_vilag_magyar_szemmel_2024.pdf and Pew Research Center "More people view the U.S. positively than China across 35 surveyed countries" Pew Research Center, 9 July 2024, https://www.pewresearch.org/short-reads/2024/07/09/more-people-view-the-us-positively-than-china-across-35-surveyed-countries/.

7 For a short overview of the literature on differences between Western and Chinese work culture see e. g. Yu, C., Fang, W. "Cross-cultural Management of Chinese Enterprises: A Review of the Literature", *IOP Conference Series: Materials Science and Engineering*, vol. 677, no. 4, pp. , https://doi:10.1088/1757-899X/677/4/042071.

8 UNCTAD, "World Investment Report 2023", Annex 2, UNCTAD, 2023, https://unctad.org/system/files/official-document/wir2023-annex_table-2_en.pdf.

9 Anderson, J., Sutherland, D., Zhang, F. and Zan, Y. (2021). "Analyzing the reliability of Chinese outward FDI studies: a replication approach", *Critical Perspectives on International Business*, Vol. 17 No. 4, pp. 546–571. https://doi.org/10.1108/cpoib-11-2019-0088.

10 Chinese multinational enterprises usually establish special purpose entities in intermediary countries, most often Hong Kong, PRC, to transit FDI via intermediary jurisdictions. These return to China in some cases (roundtripping), and in other cases their final destination is in third countries (transshipment). Thus, we have limited reliable information about the final target countries of what was initially Chinese FDI. On the other hand, we can suspect that the majority of Hong Kong, PRC, outward FDI is owned by Chinese firms, leading us to include Hong Kong, PRC, in our analysis, when it is possible.

11 Kratz, A., Zenglein, M. J., Brown, A., Sebastian, G., Meyer, A. "Dwindling investments become more concentrated – Chinese FDI in Europe: 2023 Update", MERICS Report, 6 June, 2024, https://merics.org/de/report/dwindling-investments-become-more-concentrated-chinese-fdi-europe-2023-update#msdynttrid=Zzx3mA3eShEvL5SgKS2UOZHPIutRhqg1el2CnTjUI1k.

12 Austria, Czechia, Denmark, Estonia, France, Germany, Hungary, Italy, Lithuania, Poland, Slovenia, Spain, Switzerland, Türkiye and the US.

13 National Bank of Serbia, "Republic of Serbia: Foreign Direct Investments 2010–2023", National Bank of Serbia, https://www.nbs.rs/export/sites/NBS_site/documents-eng/statistika/ino_ekonomski_odnosi/platni_bilans/fdi_by_country_2010_2023.xls; UNCTAD, "World Investment Report 2023", UNCTAD, 2023, https://unctad.org/publication/world-investment-report-2023.

14 Hungarian Investment Promotion Agency FDI Results, "Minden idők legnagyobb beruházási rekordját érte el Magyarország a korábbi csúcsteljesítmény megduplázásával", HIPA, 15 January 2024, https://hipa.hu/hir/minden-idok-legnagyobb-beruhazasi-rekordjat-erte-el-magyarorszag-a-korabbi-csucsteljesitmeny-megduplazasaval/.

15 For FDI data, a 10 % threshold level for foreign ownership is used, while for the FATS data, 50% (control). That is why the two databases are not directly comparable.

16 Vandermeeren, F. (2024) "Understanding EU-China Economic Exposure", *Single Market Economic Briefs*, Economic Brief No. 4. European Commission. Brussels, https://single-market-economy.ec.europa.eu/publications/understanding-eu-china-exposure_en.

17 based on the data of the Hungarian Statistical Office: https://www.ksh.hu/stadat_files/kkr/hu/kkr0008.html.

18 own calculations based on the OECD TiVA database

19 Based on Gáspár, T ; Sass, M ; Koppány, K ; Bi, S (2023) Foreign Trade Relations of Hungary With China: A Global Value Chain Perspective, *Society and Economy,* vol. 45, no. 3, pp. 229–249. https://doi.org/10.1556/204.2023.00018. and Koppány, K. (2020) A kínai koronavírus és a magyar gazdaság kitettsége. Mit mutatnak a világ input-output táblák? *Közgazdasági Szemle*, vol. 67, pp. 433–455, https://doi.org/10.18414/KSZ.2020.5.433.

20 Based on data from the Central Statistical Office on National accounts https://statinfo.ksh.hu/Statinfo/themeSelector.jsp?lang=hu and Eurostat FATS data https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=456558 (with missing data on Food, beverages and tobacco).

21 Hungarian FDI in China has been negligible throughout the analysed period. In 2022, it amounted to EUR 63 million according to the data of the Hungarian National Bank.

22 S. Gubik, A., Sass, M., & Szunomár, Á. (2020) "Asian foreign direct investments in the Visegrad countries: What are their motivations for coming indirectly?" *Danube: Law and Economics Review*, vol. 3, pp. 239–252, https://doi.org/10.2478/danb-2020-0014.

23 Medve-Bálint, G., Éltető, A. (2024) "Economic nationalists, regional investment aid, and the stability of FDI-led growth in East Central Europe", *Journal of European Public Policy*, vol. 31, no. 3, pp. 874–899, https://doi.org/10.1080/13501763.2024.2305834. or Voszka, É; Végh, M. Z. and London, A. (2023) Támogatási nagyüzem – az egyedi kormánydöntések példája.(in Hungarian) *KÖZGAZDASÁGI SZEMLE*, 70 (12). pp. 1297–1337. ISSN 1588–113X.

24 Gergely, A., Lew, L., "BYD Car Investment Affirms Hungary as China's EU Bridgehead", Bloomberg, 22 December, 2023, https://www.bloomberg.com/news/articles/2023-12-22/byd-picks-hungary-for-its-first-european-ev-factory-site?embedded-checkout=true.

25 KSH, "https://www.ksh.hu/stadat_files/sza/hu/sza0022.html".

26 Based on the information presented in the annual balance sheets of the companies. This is available at https://e-beszamolo.im.gov.hu/oldal/kezdolap.

27 About Hungary, "Nagy: Hungary is committed to strengthening agricultural and trade cooperation with China", About Hungary, 25 January, 2024, https://abouthungary.hu/news-in-brief/nagy-hungary-is-committed-to-strengthening-agricultural-and-trade-cooperation-with-china.

28 Based on press reports, strategic agreements were concluded by the government with the following Chinese subsidiaries: Huawei technologies Hungary Ltd., BorsodChem, Yanfeng Hungary, Le Bélier Magyarország, Bank of China CEE, Wescast Hungary, S.E.G.A. Hungary.

29 Savory, J., "Hungary New Guest Investor Visa: Real Estate Investment Vs. Fund – Which is The Best for You?" *Savory & Partners*, 5 June, 2024, https://www.savoryandpartners.com/blog/hungary-new-guest-investor-visa/.

30 https://www.bloomberg.com/news/features/2024-05-06/china-serbia-and-hungary-s-embrace-of-president-xi-opens-doors-in-europe or https://foreignpolicy.com/2024/05/08/xi-jinping-china-serbia-vucic-hungary-orban-electric-vehicles/.

31 Seaman, J., Huotari, M., Otero-Iglesias, M. (2017) "Introduction: Sizing Up Chinese Investments in Europe. In: Chinese Investment in Europe. A Country-Level Approach" European Think Tank Network on China, December 2017, pp. 75–81, https://merics.org/en/report/chinese-investment-europe-country-level-approach; Zámborský, p. ; Zheng J. Y., Michailova, S. and Zhuang V. (2023), "Chinese Multinationals' Internationalization Strategies: New realities, new pathways", California Management Review, vol. 66, no. 1, pp. 96–123, https://doi.org/10.1177/00081256231193467.

32 Jacoby, W. (2014), "Different cases, different faces: Chinese investment in Central and Eastern Europe", Asia Europe Journal, vol. 12, no. 1, pp. 199–214, https://doi.org/10.1007/s10308-014-0380-z.

33 Fürst, R. (2017), "The Czech Republic: Receiving the First Relevant Chinese Investments", In: Chinese Investment in Europe. A Country-Level Approach, European Think Tank Network on China, December 2017, eds. John Seaman, Mikko Huotari, Miguel Otero-Iglesias, pp. 41–45, https://merics.org/en/report/chinese-investment-europe-country-level-approach. The firm amassed sprawling assets abroad through debt-backed investments and used its complex web of affiliates for making fake deals. Ji, T., Han, W. "Citic Advances Deal to Buy Czech Assets of CEFC", Caixin Global, 9 April, 2019, https://www.caixinglobal.com/2019-04-09/citic-advances-deal-to-buy-czech-assets-of-cefc-101401817.html. CEFC was declared bankrupt in 2020. Caixin Global, "Fallen Energy Conglomerate CEFC Declared Bankrupt", Caixin Global, 25 April, 2020, https://www.caixinglobal.com/2020-04-25/fallen-energy-conglomerate-cefc-declared-bankrupt-101547143.html.

34 For a detailed description of the controversies of the CATL investment in Hungary see Wu, Q.M. „The embrace and resistance of Chinese battery investments in Hungary: The case of CATL" Asia Europe Journal 22, 201–223 (2024). https://doi.org/10.1007/s10308-024-00699-9
35 Rhys Atack, p. , "More Chinese investment in Hungarian rail?" Railway Technology, 15 May, 2024, https://www.railway-technology.com/news/more-chinese-investment-in-hungarian-rail/?cf-view.
36 Spike, J., "Xi's visit to Hungary and Serbia brings new Chinese investment and deeper ties to Europe's doorstep", *AP News*, 14 May, 2024, https://apnews.com/article/xi-visit-brings-chinese-investment-serbia-hungary-8b112f599ab51a18e290d5183b971970.
37 World Nuclear News, "Hungary and China sign nuclear energy cooperation agreement", *World Nuclear News,* 10 May, 2024, https://world-nuclear-news.org/Articles/Hungary-and-China-sign-nuclear-cooperation-agreeme.
38 Szunomár, Á., "Budapest-Belgrade Railway (Hungarian Section)", The People's Map of Global China, 11 January 2022, https://thepeoplesmap.net/project/budapest-belgrade-railway-hungarian-section/.
39 Keszthelyi, C., "Belgrade-Budapest rail construction agreement signed", Budapest Business Journal, 17 December, 2014, https://bbj.hu/politics/foreign-affairs/visits/belgrade-budapest-rail-construction-agreement-signed.
40 Than, K., Komuves, A., "Hungary, China sign loan deal for Budapest-Belgrade Chinese rail project", Reuters, 24 April, 2020, https://www.reuters.com/article/hungary-china-railway-loan-idUSL5N2CC6A0/.
41 Reuters, "Hungary classifies Budapest-Belgrade Chinese rail project", Reuters, 19 May, 2020, https://www.reuters.com/article/hungary-china-railway-law/hungary-classifies-budapest-belgrade-chinese-rail-project-idUSL8N2D14V2/.
42 XpatLoop, "EC Launches Infringement Proceeding Concerning Budapest-Belgrade Railway Project", 23 September, 2016, https://xpatloop.com/channels/2016/09/ec-launches-infringement-proceeding-concerning-budapest-belgrade-railway-project.html.
43 Posaner, J., Bayer, L., "Hungary seals Chinese loan for Budapest-Belgrade railway", Politico, 24 April, 2024, https://www.politico.eu/article/hungary-seals-chinese-loan-for-budapest-belgrade-railway/.
44 Hayes, M., "Budapest-Belgrade railway hits a roadblock", Construction Briefing, 26 September, 2023, https://www.constructionbriefing.com/news/budapest-belgrade-railway-hits-a-roadblock/8031849.article.
45 https://nepszamlalas2022.ksh.hu/en/database/
46 based on data presented in the country profiles of the Mercator Institute for China Studies: https://merics.org/en
47 Maciej Kaczynski, p. , "How China lost Central Europe", Balkan Insight, 15 August, 2022, https://balkaninsight.com/2022/08/15/how-china-lost-central-europe/.
48 Mazzocco, I., Palazzi, A. L., "Italy Withdraws from China's Belt and Road Initiative", *Center for Strategic and International Studies,* 14 December, 2023, https://www.csis.org/analysis/italy-withdraws-chinas-belt-and-road-initiative.
49 Lau, S., "Down to 14+1: Estonia and Latvia quit China's club in Eastern Europe", Politico, 11 August, 2022, https://www.politico.eu/article/down-to-14-1-estonia-and-latvia-quit-chinas-club-in-eastern-europe/.
50 Xinhua, "China-proposed BRI "clear success": Hungary central bank governor" Xinhua, 29 September, 2023, https://english.news.cn/20230926/a876dd096d234c1a92b7eaf7b77b984a/c.html.
51 Caixin Global, "Hungary deepens Huawei ties during Xi Visit, shunning risks", Caixin Global, 11 May, 2024, https://www.caixinglobal.com/2024-05-11/hungary-deepens-huawei-ties-during-xi-visit-shunning-risks-102195063.html.
52 TASS, "Hungary supports Chinese peace plan on Ukraine – Orban", TASS Russian News Agency, 9 May 2024, https://tass.com/world/1786153.
53 Ministry of Foreign Affairs of the People's Republic of China, "Joint Statement between the People's Republic of China and Hungary on the establishment of an all-weather comprehensive strategic partnership for the new era", 9 May 2024, https://www.mfa.gov.cn/eng/zxxx_662805/202405/t20240510_11302189.html.
54 Kynge, J., "China makes Hungary a model for diplomatic ties in Europe", Financial Times, 11 May, 2024, https://www.ft.com/content/5b55ef85-b884-449a-8ccc-c9273cc5e9ff.
55 Zeng J., Xiao Y., Breslin, S., (2015) "Securing China's core interests: the state of the debate in China", *International Affairs*, vol. 91, no. 2, pp. 245–266, https://www.jstor.org/stable/24538911.
56 Pal, G., Roberto, p. , "Xi and Chinese electric cars drive into Hungary", *Center for European Policy Analysis,* https://cepa.org/article/xi-and-chinese-electric-cars-drive-into-hungary/.
57 Morris, D., "Hungary is becoming Europe's electric vehicle hub – by courting Chinese carmakers", South China Morning Post, 18 January, 2024, https://www.scmp.com/comment/opinion/article/3248668/hungary-becoming-europes-electric-vehicle-hub-courting-chinese-carmakers.
58 European Court of Auditors, "Special report 15/2023: The EU's industrial policy on batteries: New strategic impetus needed", 19 June, 2023, https://www.eca.europa.eu/en/publications?ref=SR-2023-15.
59 Bank of China, "Bank of China Limited Hungarian branch introduction", 10 October, 2018, https://www.bankofchina.com/hu/brh_en/aboutus/ab1/201701/t20170115_8450161.html.
60 Tóbiás, T., "Budapest's Chinatown offers more than you'd think", Offbeat, 13 May, 2024, https://www.offbeatbudapest.com/budapest-city-guide/chinatown-budapest-restaurants/.
61 Nyíri, p. , Beck, F., (2020) "Europe's New *Bildungsbürger?* Chinese Migrants in Search of a Pure Land", *Diaspora: A Journal of Transnational Studies*, vol. 20, no. 3, pp. 305–326, https://utpjournals.press/doi/10.3138/diaspora.20.3.003.
62 Antalóczy, K. ; Birizdó, I. ; Sass, M. (2022) "Local investment promotion in a Hungarian medium-sized town and the implications of the COVID pandemic" *Regional Statistics*, vol. 12, no. 1, pp. 27–50, https://doi.org/10.15196/RS120104.
63 Hungarian Investment Promotion Agency FDI Results, "Previous all-time high FDI inflow doubled in Hungary", *HIPA,* 15 January 2024, https://hipa.hu/news/previous-all-time-high-fdi-inflow-doubled-in-hungary/.
64 Hungarian Chamber of Commerce and Industry, "Bilateral Committees and Business Councils", https://mkik.hu/en/bilateral-committees-and-business-councils.
65 Enache, C., "Corporate income tax rates in Europe, 2024", *Tax Foundation*, 16 January 2024, https://taxfoundation.org/data/all/eu/corporate-tax-rates-europe-2024/.
66 Reuters, "Hungary still opposed to "job killing" global minimum tax, Orban says", *Reuters* https://www.reuters.com/markets/europe/hungary-still-opposed-job-killing-global-minimum-tax-orban-says-2022-12-02/.
67 Wágner, T. Z., "How Hungary came to "accept" the global minimum tax", *Sylff Association*, 5 March, 2024, https://www.sylff.org/news_voices/31592/.
68 Nölke, A., Vliegenthart, A. (2009) "Enlarging the varieties of capitalism: The emergence of dependent market economies in East-Central Europe." World Politics, vol. 61, no. 4, pp. 670–702, https://doi.org/10.1017/S0043887109990098.
69 Voszka, É. (2018) "Nationalisation in Hungary in the Post-Crisis Years: A Specific Twist on a European Trend?" Europe-Asia Studies, vol. 70, no. 8, pp. 1281–1302, https://doi.org/10.1080/09668136.2018.1457137.
70 UNCTAD "Global economic fracturing and shifting investment patterns. A diagnostic of 10 FDI trends and their development implications", UNCTAD, 23 April, 2024, https://unctad.org/publication/global-economic-fracturing-and-shifting-investment-patterns.
71 Kratz, A., Zenglein, M. J., Sebastian, G., Witzke, M., (2023) "EV battery investments cushion drop to decade low: Chinese FDI in Europe 2022 Update", MERICS Report, 9 May, 2023, https://merics.org/en/report/ev-battery-investments-cushion-drop-decade-low-chinese-fdi-europe-2022-update.
72 Orbán, V., "Beszéd a Magyar Állandó Értekezlet IX. ülésén az Országház Vadásztermében", 5 November, 2010, https://2010-2014.kormany.hu/hu/miniszterelnokseg/miniszterelnok/beszedek-publikaciok-interjuk/orban-viktor-beszede-a-magyar-allando-ertekezlet-ix-ulesen-2010-november-5.
73 Kormányportál, "A küllügyminiszter bemutatta a magyar külpolitika stratégiai irányait összegző dokumentumot", https://2010-2014.kormany.hu/hu/kulugyminiszterium/hirek/a-kulugyminiszter-bemutatta-a-magyar-kulpolitika-strategiai-iranyait-osszegzo-dokumentumot.
74 Szabó, A., "The government closed the foreign trading houses but made an exception with PM Orban's Turkish friend", Direkt36, 19 March, 2019, https://www.direkt36.hu/en/a-kormany-bezarta-a-kulfoldi-kereskedohazakat-csak-orban-torok-baratjaval-kiveteleztek/.
75 Külgazdasági és külügyminisztérium, "Stratégiai partnerségi megállapodások", https://kormany.hu/kulgazdasagi-es-kulugyminiszterium/strategiai-partnersegi-megallapodasok.
76 Magyar Nemzeti Bank, "Magyar Nemzeti Bank decided to build a bond portfolio denominated in Chinese Renminbi", https://www.mnb.hu/en/pressroom/press-releases/press-releases-2015/magyar-nemzeti-bank-decided-to-build-a-bond-portfolio-denominiated-in-chinese-renminbi.
77 Magyar Nemzeti Bank, "Budapest Renminbi Initiative Conference 2023", https://www.mnb.hu/en/the-central-bank/conferences/budapest-renminbi-initiative-conference-2023.
78 Magyar Nemzeti Bank, "Az MNB kifejezetten támogatja jüan kötvények kibocsátását a magyar-kínai pénzügyi kapcsolatok fejlesztése érdekében", https://www.mnb.hu/sajtoszoba/sajtokozlemenyek/2016-evi-sajtokozlemenyek/az-mnb-kifejezetten-tamogatja-juan-kotvenyek-kibocsatasat-a-magyar-kinai-penzugyi-kapcsolatok-fejlesztese-erdekeben.
79 Xinhua, "Hungary issues panda bonds in China for 1 billion RMB", 26 July, 2017, http://www.xinhuanet.com//english/2017-07/26/c_136475018.htm.
80 Portfolio, "Sikeresen bocsátott ki zöld panda körvényt Magyarország", Portfolio, 16 November, 2022, https://www.portfolio.hu/gazdasag/20221116/sikeresen-bocsatott-ki-zold-panda-kotvenyt-magyarorszag-579372.
81 Portfolio, "Újabb Panda-kötvény kibocsátásra készül Magyarország", Portfolio, 3 April, 2024, https://www.portfolio.hu/gazdasag/20240403/ujabb-panda-kotveny-kibocsatasra-keszul-magyarorszag-678257.
82 Magyarország kormánya, "Kína regionális pénzügyi központként tekint Magyarországra", 3 April, 2024 https://kormany.hu/hirek/kina-regionalis-penzugyi-kozpontkent-tekint-magyarorszagra.

83 See e. g. Karagiannis, N., Cherikh, M., & Elsner, W. (2020). „Growth and Development of China: A Developmental State 'With Chinese Characteristics.'" *Forum for Social Economics*, 50(3), 257–275. https://doi.org/10.1080/07360932.2020.1747515 or Hepburn, Cameron, Stern, Nicholas, Xie, Chunping and Zenghelis, Dimitri. „China's Economic Development in the New Era: Challenges and Paths" China Finance and Economic Review, vol. 11, no. 2, 2022, pp. 3–22. https://doi.org/10.1515/cfer-2022-0007 or on centralisation: Yang, J. & Sheng, S. (2021). Why China's Re-centralisation Emerges in the Age of Globalisation? China Report, 57(1), 40–56. https://doi.org/10.1177/0009445520984764.

84 Gotev, G., "EU unable to adopt statement upholding South China Sea ruling", Euractiv, 14 July 2016, https://www.euractiv.com/section/global-europe/news/eu-unable-to-adopt-statement-upholding-south-china-sea-ruling/.

85 Von der Burchard, H., Barigazzi, J., "Germany slams Hungary for blocking EU criticism of China on Hong Kong", *Politico*, 10 May, 2021, https://www.politico.eu/article/german-foreign-minister-slams-hungary-for-blocking-hong-kong-conclusions/.

86 Preussen, W., "Orbán backs China's Ukraine peace plan", Politico, 27 February 2023, https://www.politico.eu/article/viktor-orban-hungary-ukraine-china-peace-plan-russia-invasion/.

87 Simon, Z., Gergely, A., "Hungary deepens Huawei ties during Xi visit, shunning risks", Bloomberg, 10 May, 2024, https://www.bloomberg.com/news/articles/2024-05-10/hungary-deepens-huawei-ties-during-xi-visit-shunning-risks?embedded-checkout=true.

88 Stojanovic, D., "China's 'mask diplomacy' wins support in Eastern Europe", AP News, 14 April, 2024, https://apnews.com/article/eastern-europe-czech-republic-china-russia-virus-outbreak-76dff4b113e82d85716262895909f151.

89 Publicus Intézet, „Kétharmad nem ért egyet a vendégmunkások behozatalával", 14 June, 2023, https://publicus.hu/blog/ketharmad-nem-ert-egyet-a-vendegmunkasok-behozatalaval/.

90 Debreceni Nap, ""Kis Kína épül Debrecenben?" 20 ezer fős munkásszálló miatt akadtak ki a civilek", 23 August, 2023, https://debreceninap.hu/helyi/2023/08/23/kis-kina-epul-debrecenben-20-ezer-fos-munkasszallo-miatt-akadtak-ki-a-civilek/.

91 Szalai, A., "Több száz újabb ingatlan kisajátítására készül a kormány a Budapest-Belgrád vasútvonal építése miatt", Nepszava, 15 November, 2023, https://nepszava.hu/3215464_budapest-belgrad-vasutvonal-mav-orban-kormany-kisajatitas-kina.

92 BBC, "Budapest protest against China's Fudan University campus", 6 June 2021, https://www.bbc.com/news/world-europe-57372653.

93 Kasnyik, M., "Hungary to delay $1.9 billion in investments to control deficit", Bloomberg, 11 April, 2024, https://www.bloomberg.com/news/articles/2024-04-11/hungary-to-delay-1-9-billion-in-investments-to-control-deficit?embedded-checkout=true.

94 In a statement from October 2023, the Hungarian Academy of Sciences stressed that governmental decisions over EV battery investments took place without large-scale public coordination, and that societal stakeholders were given no opportunity to voice their concerns and learn more about planned projects. In November 2023, civil groups formed a country-wide association arguing that the government excludes from the negotiations those impacted by the investments, such as societal actors or local governments. In February 2023, MPs from Fidesz and KDNP chose to stay away from a parliamentary debate organized by opposition parties on EV battery plants in Hungary. Szabó, D. "Az MTA erős véleményt fogalmazott meg a magyarországi akkumulátorgyárakról", Portfolio, 10 October 2023, https://www.portfolio.hu/gazdasag/20231010/az-mta-eros-velemenyt-fogalmazott-meg-a-magyarorszagi-akkumulatorgyarakrol-644777; Bodnár, Zs. "Szövetségbe tömörültek az akkumulátoripar által károsult települések", atlatszo.hu, 3 November 2023, https://atlatszo.hu/kornyezet/2023/11/03/szovetsegbe-tomorultek-az-akkumulator-ipar-altal-karosult-telepulesek/; Cseke, B. "A Fidesz nem vett részt az akkumulátorgyárakról szóló parlamenti ülésen, ahol Toroczkai Lukasenkóval példálózott", Telex, 20 February 2023, https://telex.hu/belfold/2023/02/20/parlament-rendkivuli-ules-ellenzek-akkumulatorgyar-fidesz-napirend-elotti-felszolalasok Even local governments not consulted, see e. g. Hompot, S. „China's Controversial €7.3 Billion EV Battery Investment: A Game Changer in China-Hungary Relations" Central European Institute of Asian Studies, 20 November, 2023 https://ceias.eu/chinas-controversial-e7-3-billion-ev-battery-investment-a-game-changer-in-china-hungary-relations/ However, party sympathies play a role in forming public opinion: https://telex.hu/belfold/2023/03/12/akkumulatorgyarak-median-felmeres-okopolisz See also footnotes 7 and 8.

95 Győrffy, D., " Liberal and illiberal industrial policy in the EU: the political economy of building the EV battery value chain in Sweden and Hungary." *Comparative European Politics* 2024, 1–20 https://doi.org/10.1057/s41295-023-00374-0.

96 https://hipa.hu/szektor/akkumulator/

97 UNCTAD, "World Investment Report 2023", *UNCTAD*, 2023, https://unctad.org/publication/world-investment-report-2023.

98 https://dailynewshungary.com/brutal-drop-battery-production-hungary/

99 https://centraleuropeantimes.com/2021/06/slovakias-automotive-industry-blessing-or-curse/.

100 own calculations based on factories' data

101 https://kormany.hu/dokumentumtar/nemzeti-akkumulator-iparagi-strategia-2030.

102 The environmental problem is expected to be present in the case of not only the Korean, but also the Chinese projects, e. g. in June 2024, it was revealed that the Chinese-owned Halms Hungary company (producing aluminium components for batteries) polluted water and received only a small fine. Hetzmann, M., "Appalling: Chinese company fined in Hungary, decision only published after elections", Daily News Hungary, 12 June, 2024, https://dailynewshungary.com/chinese-company-fined-in-hungary/.

103 Sass, M., Szunomár, Á., Gubik, A., Kiran, S., Ozsvald, É. (2019) "Employee relations at Asian subsidiaries in Hungary: Do home or host country factors dominate?" *Intersections: East European Journal of Society and Politics*, vol. 5, no. 3, pp. 23–48, https://doi.org/10.17356/ieejsp.v5i3.562.

104 While there are over 100 thousand foreign guest workers in Hungary , there is no information available about the main companies employing them. See e. g. Portfolio, "Elképesztően gyorsan nő a külföldi dolgozók száma Magyarországon", Portfolio, 25 November, 2023, https://www.portfolio.hu/gazdasag/20231125/elkepesztoen-gyorsan-no-a-kulfoldi-dolgozok-szama-magyarorszagon-653763.

105 https://www.huawei.com/en/corporate-information.

106 Szunomar, A., Karas, J., Oehler-Sincai, I.M. (2020). Huawei in Central and Eastern Europe: Strategic Partner or Potential Threat?. In: Zhang, W., Alon, I., Lattemann, C. (eds) Huawei Goes Global. Palgrave Studies of Internationalization in Emerging Markets. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-030-47579-6_5.

107 Reuters, "Hungarian minister opens door to Huawei for 5G network rollout", Reuters, 5 November, 2019, https://www.reuters.com/article/business/hungarian-minister-opens-door-to-huawei-for-5g-network-rollout-idUSKBN1XF1UT/.

108 Strand Consult, "The Market for 5G RAN in Europe: Share of Chinese and Non-Chinese Vendors in 31 European Countries", Strand Consult, https://strandconsult.dk/the-market-for-5g-ran-in-europe-share-of-chinese-and-non-chinese-vendors-in-31-european-countries/.

109 Institutional Investor, "Wanhua Buys €1.2B Hungary's BorsodChem", Institutional Investor, 1 February, 2011, https://www.institutionalinvestor.com/article/2bszptmxjhlle6a44ks8w/innovation/wanhua-buys-1-2b-hungarys-borsodchem.

110 Wanhua, "BorsodChem inaugurated Site IV and its new production units", Wanhua, 10 July, 2023, https://en.whchem.com/cmscontent/715.html.

111 European Commission, "State aid: Commission approves Hungary's €45 million investment aid to BorsodChem", European Commission, 28 September, 2018, https://ec.europa.eu/commission/presscorner/detail/en/IP_18_5941.

112 https://bydeurope.com/article/231.

113 https://www.byd.com/eu/news-list/BYD_to_Build_A_New_Energy_Passenger_Vehicle_Factory_in_Hungary_for_Localised_Production_in_Europe.html.

114 https://mandiner.hu/pr/2024/01/duplazott-a-magyar-befektetesosztonzes-interju-a-hipa-vezetojevel-x.

115 Kang, L., "Global EV battery market share in Jan-Mar 2024: CATL 37.9%, BYD 14.3%", *CnEVPost*, 7 May, 2024, https://cnevpost.com/2024/05/07/global-ev-battery-market-share-jan-mar-2024/.

116 Wu, Q M., (2023) "The embrace and resistance of Chinese battery investments in Hungary: The case of CATL", *Asia Europe Journal*, vol 22, pp. 201–223, https://doi.org/10.1007/s10308-024-00699-9.

117 The Debrecen Sun, "CATL and Debrecen Vocational Training Center Signed a Strategic Agreement", The Debrecen Sun, 14 February, 2024, https://www.debrecensun.hu/eco/2024/02/14/catl-and-debrecen-vocational-training-center-signed-a-strategic-agreement/.

118 Gaál, B., "Uni of Miskolc, CATL Debrecen Sign Cooperation Agreement", Budapest Business Journal, 21 June, 2024, https://bbj.hu/business/industry/deals/uni%C2%A0of-miskolc-%C2%A0catl-debrecen-sign%C2%A0cooperation-agreement.

119 based on an interview with a leading manager of CATL

120 In 2024, Orbán has famously listed state capitalist China alongside Russia and Türkiye as a successful nation that is not liberal or even a democracy. Certain studies in the literature argue that the ensuing illiberal turn orchestrated by Orbán is for the sake of emulating conditions necessary for such a success in Hungary. Fabry, A. (2019) "Neoliberalism, crisis and authoritarian-ethnicist reaction: The ascendancy of the Orbán regime", Competition & Change, vol. 23, no. 2, pp. 165–191, https://doi.org/10.1177/1024529418813834 ; Greilinger, G. (2023) "Hungary's Eastern Opening Policy as a Long-Term Political-Economic Strategy", Fokus, Austria Institut Für Europe- Und Sicherheitspolitik, 4/2023, www.aies.at/download/2023/AIES-Fokus-2023-04.pdf.

IMPRINT

Publisher: Friedrich-Ebert-Stiftung Budapest
1056 Budapest | Fővám tér 2–3.
Email: budapest@fes.de
https://budapest.fes.de/

Responsible for content and editing:
Dr. Ernst Hillebrand
ernst.hillebrand@fes.de

Orders / Contact: budapest@fes.de

ISBN 978-615-6289-95-7

Design / Typesetting: pertext, Berlin
Cover photo: picture alliance / AP Photo | Andrea Verdelli

FRIEDRICH
EBERT
STIFTUNG