

The Consequences of ‘Eastern Opening’: Hungary's FDI Shift to China Under Orbán

Miklós Sebők (corresponding author), ELTE Centre for Social Sciences, Budapest, Hungary, 1476 Budapest 100, Pf. 340, sebok.miklos@tk.hu

Sándor Kozák, ELTE Centre for Social Sciences, Budapest, Hungary, 1476 Budapest 100, Pf. 340, sandor.kozak@tk.hu

Ágnes Törös, ELTE Centre for Social Sciences, Budapest, Hungary, 1476 Budapest 100, Pf. 340, agnes.toros@tk.hu

ABSTRACT

This article analyses Hungary's shifting foreign direct investment (FDI) patterns under Viktor Orbán's government (2010–2023), highlighting a strategic reorientation from US to Chinese investors. Employing network centrality theory within global power competition, the study finds US FDI stock declined from €15.4 billion (2014) to €8.8 billion (2022), while Chinese FDI tripled to €3.5 billion, increasingly targeting strategic sectors like electric vehicles and battery production. Strategic partnership agreements disproportionately favoured Asian firms relative to their FDI share. Hungary's "Eastern opening" strategy thus coincided with a pivot away from US investment, leveraging US-China rivalry to pursue autonomous economic strategies despite continued Western institutional integration.

Keywords: international political economy; network centrality; Hungary; China; foreign direct investment

Introduction

The growing geopolitical tension between the West, led by the United States and the European Union, and the East (usually associated with Chinese economic interests) was one of the most critical and widely discussed issues global economic issues in the early 2020s (Malkin 2020; Schindler *et al.* 2023). While a *decoupling* process in the West from Chinese elements of global supply chains gained more and more steam, in public discourse, both Washington and Brussels adopted the terminology of *de-risking* instead (see online Appendix for a complete list of newspaper sources cited). Against such a geopolitical background, it may seem curious that a small country that is a member of both the EU and NATO would consider swimming against the tide and breaking ranks with both alliances on several pivotal matters of public policy. In fact, by the period in question, this process had already been heavily underway for a decade in Hungary, an erstwhile poster child for transatlantic integration.

This article examines if (and if yes, how) Hungary's foreign direct investment patterns shifted under Viktor Orbán's government between 2010-2023. Our theoretical framework combines two key strands of International Political Economy (IPE). First, we build on literature examining how politics and domestic institutions shape FDI patterns, with particular attention to how governments balance attracting foreign capital while maintaining policy autonomy (Strange 1988; Gilpin 2001; Jensen 2008; Phillips 2023). Second, we draw on the analysis of great power competition, specifically Van der Pijl's (2006; 2017) work on recurring patterns of inter-state rivalries and Schindler *et al.*'s (2023) conceptualisation of the US-China rivalry as a network-based competition across infrastructure, digital, production, and finance domains.

We use these theoretical frameworks to explore changes in foreign direct investment (FDI) stock in Hungary between 2010, when Orbán formed his second government, and 2023. In this period, Orbán led an about-face from two decades of Hungarian foreign economic policy, driven by a distinctive form of economic nationalism (Bohle *et al.* 2022; Sebök & Simons 2022). We explore how this turnaround is reflected in Hungary's foreign economic strategy and its economic ties, particularly in terms of its efforts to bring new FDI into the country.¹ The 'Eastern opening' strategy, formalised in Hungary's 2012 Foreign Economic Policy Strategy document, represented more than just economic diversification.

While officially emphasising the goal of maintaining existing Western relations (Völgyi & Lukács 2021), in practice Hungary became a key gateway for Chinese investments in the EU. From the perspective of Schindler *et al.*'s (2023) framework of network-based, zero-sum competition between the US and China, Hungary presents a

¹It is important to note that the analysis of FDI inflows only represents a distinct segment of bilateral economic relations. Given this limitation in scope, more research is needed to juxtapose the results with other elements of foreign economic ties.

critical case of how smaller nations can leverage great power rivalry, as it remains formally integrated in Western institutions while actively facilitating Chinese centrality across infrastructure networks (through the Belt and Road Initiative), digital networks (as the only EU country officially choosing Huawei for 5G), and production networks (through major investments in electric vehicle manufacturing). To test whether this strategic reorientation led to actual changes in economic ties, we analyse shifts in FDI patterns using a unique research design that goes beyond examining nominal values or gross investment inflows, often highlighted in government marketing campaigns. Instead, we focus on relative shares of total FDI stock and net values to capture the changing composition of foreign investment in Hungary.

Our empirical analysis of central bank data shows that US FDI stock in Hungary declined from €15.4 billion in 2014 to €8.8 billion in 2022, leading the US to drop from second to fourth place among foreign investors. Simultaneously, Chinese FDI stock tripled to €3.5 billion. Analysis of strategic partnership agreements reveals Asian companies were significantly overrepresented relative to their FDI share, with 18 out of 94 such agreements involving Asian firms. Project-level data indicates that Chinese investments increasingly targeted strategic sectors like electric vehicle manufacturing and battery production. The findings suggest that rather than pursuing genuine economic diversification, Hungary's 'Eastern opening' strategy represented a deliberate pivot away from closer investment ties with the US, driven more than just by pure market forces. This case demonstrates how small states can leverage great power competition to pursue autonomous development strategies, even while remaining formally integrated with Western institutional structures.

In what follows, we first review the relevant theoretical literature in the field of international political economy. Next, we present an account of the ideational and policy-level reorientation of Hungarian foreign economic policy, examined through document analysis (political speeches, published government strategies). Subsequently, to capture the evolving economic relations with China and the United States, we analyse relevant FDI statistics and critical Chinese investment projects. In the Discussion, we compare the characteristics of South Korean investments, another major element of the 'Eastern opening' strategy, to those of Chinese FDI. We conclude the article by exploring additional elements of Hungary's Eastern reorientation that are worthy of further analysis.

The networked competition of global powers and Hungarian foreign economic strategy

In this article, we rely on an international political framework building on multiple strands in this discipline. International Political Economy (IPE) examines how politics shapes global economic interactions, with a particular focus on how domestic institutions and power relationships influence patterns of foreign direct investment (Strange 1988; Phillips 2023). Within IPE, scholars analyse how host country political risks affect

multinational enterprises' investment decisions while also investigating how FDI influences domestic political institutions and development trajectories (Jensen 2008). As Gilpin (2001) and others have shown, the interplay between state authority and market forces is especially visible in FDI flows, where governments must balance their desire to attract foreign capital with their need to maintain policy autonomy and protect domestic interests.

Our framework draws on two key strands of this discipline. On the one hand, we rely on the Amsterdam School of IPE, such as Van der Pijl's (2006; 2017) idea of the recurring patterns of confrontations between competing nations. We also utilise the conceptualisation of Schindler *et al.*'s (2023) Second Cold War (CWII). Starting with van der Pijl (2006), in his work exploring 'Global Rivalries,' he posits that global conflicts find their origins in the economic and political motivations of the ruling elites within these nations, who are motivated by a quest for power and profits. In the aftermath of the Cold War, a fresh wave of rivalries came to the fore, exemplified by the contestation between the United States and China, the latter being the key contender state of the era (Pijl 2006). This rivalry was fuelled by China's expanding economic and military might and its direct challenge to the global dominance of the United States after the disruption of the Japan-centred Asian economic order in the aftermath of the Asian financial crisis of 1997-98 (Pijl 2006, p. 308).

Schindler *et al.* (2023) conceptualise the spatial logic of great power relations in the context of the theory of the 'Second Cold War' (CWII). According to their account, the United States and China are engaged in a global competition to establish centrality in four interconnected transnational networks. These networks, encompassing *infrastructure* (such as logistics and energy), *digital*, *finance*, and *production*, are anticipated to form the basis for hegemony in the twenty-first century. This approach is rooted in a tradition of critical geopolitical economy scholarship that explores the interplay between geopolitics and the development of capitalism (Csurgai 2018; Jayasuriya 2021). According to Schindler *et al.* (2023, p. 12), both powers are concurrently present in individual countries, 'seeking to establish centrality in networks through which they can project their geopolitical and geoeconomic power' Attaining and exploiting network centrality, particularly through the control of key nodes, offers numerous advantages. For instance, actors can secure exclusive access to strategic inputs, exclude rivals or capture value within production networks, which may prove profitable in another network.

Achieving dominance in this manner can serve as a source of hegemony (Ikenberry & Nexon 2019). The networked character of this new type of global rivalry creates a challenge for third countries in determining how to distribute their geoeconomic alignments. At the same time, it also provides an opportunity for them to pursue their independent national political and economic objectives. This reasoning led to the emergence of a new, global 'non-alignment' movement. Schindler *et al.* (2023, p. 26) argue that the term 'omni-alignment' better captures

this phenomenon, behind which, according to Le Thu (2023), the main philosophy is that cooperation with all interested global powers eliminates the possibility of making enemies and limiting economic opportunities. Smaller nations may alter allegiances as their ruling classes see fit. This trend has been reinforced by the rise of illiberalism in the Western world in the wake of the global financial crisis, as signalled by, inter alia, the rise of politicians adopting ‘nation first’ policies from the Netherlands to Italy. This process has been coupled with a new wave of economic nationalism (Clift & Woll 2012) that challenged globalisation and prioritised national sovereignty in economic policy (Brack *et al.* 2019).

While Schindler *et al.* (2023) do not provide a fully operationalised empirical research agenda for testing their thesis, this can be constructed by looking at key indicators of network centrality in critical cases of small country realignments. In Europe, one such critical case is Hungary, which, as we show below, is widely regarded as one of the most important Chinese gateways to the European market. The differences in the characterisation of bilateral ties with China between official EU and Hungarian government narratives are striking. On the one hand, besides the aforementioned *de-risking* terminology, in the EU-China Strategic Outlook of 2019, the European Union defined China simultaneously as a cooperation partner, a negotiating counterpart, an economic competitor, and a systemic rival advocating alternative governance models (Hou 2024). On the other hand, the right-wing, illiberal government of Viktor Orbán had long been considered the odd one out in the political economy of the European Union (Batory 2016; Müller & Gazsi 2023). Ever since unsuccessful negotiations in the early 2010s with the European Commission on fiscal rules (Molnár 2013), the illiberal regime of Orbán was looking for independent sovereign debt financing (Johnson & Barnes 2015) and investments from non-Western markets (Nagy *et al.* 2023).

This drift was formalised in the ‘Eastern opening’ model in the ‘Foreign Economic Policy Strategy’ document of the government in 2012. Even though the strategy equally emphasises the goal of diversification while maintaining existing Western relations (Völgyi & Lukács 2021), since the adoption of the strategy, Hungary has served as one of the key economic gateways for China in the EU, often directly contradicting the interests of Western investors or EU strategies. Proposed and/or implemented projects ranging from new battery plants for electric vehicles ((Éltető 2023) – see CATL in Debrecen and the mega-investment of BYD in Szeged), other automobile plants (such as that of Chervon Auto, its first plant outside of China), BorsodChem chemicals, telecom investments (Huawei, Lenovo, ZTE), a paused local affiliate of Fudan University and a major project in the Belt and Road Initiative: a new rail link between Budapest and Belgrade (Rogers 2019; Szabó & Jelinek 2023). These instances demonstrate that there are zero-sum games despite overall nominal growth, and the ‘pie slices’ for American and Chinese influence, respectively, are constantly reallocated.

It is important to emphasise that Orbán's preference was not against Western or American FDI per se or the foreign financing of domestic consumption, just a preference for a different kind of FDI and debt financing, one that is thought to be less meddlesome in his politics. In practice, this meant strong support (in the forms of, for example, tax exemptions, labour market rules and non-refundable government grants) for multinational corporations that legitimised (Bohle *et al.* 2022) his grand strategy, especially German automakers for which the Orbán government served as a lobbyist on a European level. These multinational companies, denoted as 'good FDI' by the regime, often fell into some selected sectors that were crucial for the country's export-oriented growth (Bohle & Regan 2021). These, besides the automakers, also included manufacturing (see Bosch) and electronics (such as Samsung or Flextronics/Flex). The integration of German automakers with Chinese battery producers was also a critical factor in using 'Eastern opening' to create an 'omni-aligned' foreign economic strategy without ruffling too many feathers in the biggest country of the EU. Therefore, it safeguarded its valuable position within the common market and recipient of EU transfers (mostly uninterrupted at least during the 2010s) and as a target country for North American and EU-originated foreign direct investment while simultaneously exploring economic ties outside the Western heartland.

Yet, the strengthening of economic relations with China (and also with a selection of Central-Asian and East-Asian countries and investors) coincided with a gradual drifting away from the US. Accompanied by harsh rhetoric against 'Brussels' and 'Washington' (Benczes 2016), this process encompassed a series of steps in various areas, including taxation, such as Hungary's opposition to a global minimum tax on corporation, and budgeting (in the form of resistance to the expansion of enlarging the EU budget and issuing joint debt). Minimising or hindering cooperation with the IMF, the United Nations, WTO (and even NATO) provided a global context to the general economic and political detachment from the US-led Western alliances. This included even a turn away from previous 'enablers' of Orbán's illiberal policies (Johnson & Barnes 2015), from American investors in Hungarian government bonds.

American investments in Hungary ebbed partly due to non-political reasons but also following hostile public arguments and hard policy measures (such as the termination of a critical tax treaty in 2024). In one key turning point in this process, during the so-called Visa ban scandal in 2014, high-profile regime figures (including the head of the Hungarian tax authority) were banned from entering the US. The tightening of the Visa Waiver Programme for Hungarians also signalled a decline in bilateral relations. The quest for strategic independence from US dominance was eased during the Trump administration, which itself followed an illiberal policy playbook (Lührmann & Rooney 2021). Nevertheless, the years of Biden were marked by an all-time low in bilateral

relations. Another illustrative example is a recent statement by David Pressman, the American ambassador, who both celebrated the economic relations between the US and Hungary and criticised the absence of Péter Szijjártó, the Hungarian minister of foreign affairs, from the event marking the 35th anniversary of the American Chamber of Commerce, attributing his absence to a visit to Russia. An additional example of this nadir came in the form of an exclusion of Hungary, the only such EU member, from Biden's 'Summit for Democracy' in 2021. The year 2024 marked an additional step towards declining economic cooperation: the US administration terminated a tax treaty after the Hungarian government had vetoed the introduction of a 15% global minimum tax in 2022.

The overall trend of disinvestment and disengagement was marked by a series of transactions from the sale of the local arm of GE Capital (Budapest Bank) in 2016, to the closing of a Hungarian factory by Lear Corporation in 2023.² As we show below, these and similar divestments contributed to a major reduction in the US-originated FDI stock in Hungary. Political tensions were certainly not the primary driving force in each and every case of divestment. Our position is more nuanced: we claim that relative economic ties as measured in FDI inflows within the grand scheme of things (see the pie analogy) show that Chinese ties are now stronger than before at the expense of other relations, notably that of the US (as it is a zero-sum game). We posit that individual business decisions (such as cost-cutting) and global divestment trends of American capital (which are not discernible in Czechia and Poland) are not the sole drivers of FDI trends either. The deterrence effect of such political tensions and rule of law violations on potential investors is more difficult to measure than concrete divestments but is an equally plausible explanation for the dropping aggregate share of US FDI stock in Hungary.

In light of these considerations, we can summarise our argument as follows: an ideational turn in Viktor Orbán's government led to policy changes, which, in turn, resulted in a realignment in the overall country shares in the FDI stock in Hungary, with a higher Chinese and lower US share. Since FDI is one of the critical components in attaining network centrality, it is a critical tool of great power competition. Clear-cut cases of the role of FDI when it comes to infrastructure (see the Belgrade-Budapest railway), production (e.g. the BYD battery plants serving electric vehicle production), finance (the establishment of Hungarian branches for Chinese banks), as well as the digital world (Huawei and 5G), underpin the relevance of this empirical research strategy for the wider theoretical concept of great power rivalry and network centrality.

²In some cases, FDI outflow was most probably related to business reasons. The withdrawal of GE Capital was part of its global strategy, while Lear relocated to a location where substantially lower labour costs could be achieved. However, the political factors mentioned in the article may have contributed to the low level of offsetting FDI inflows resulting a net decrease of the FDI stock in Hungary.

The ideational reorientation of Hungarian foreign economic policy

Western decline as Orbán's philosophy of history

In our empirical analysis, we first investigate the realignment thesis by providing an exposition of the ideational roots and institutional implementation of the strategic reorientation of Hungarian foreign economic policy towards Asia in general and China in particular. We substantiate this ideational-institutional turn by invoking the relevant literature, analysing the philosophy of history of Viktor Orbán's programmatic speeches centred around Western decline, operationalising this vision in strategic documents on the 'Eastern opening', and in terms of a key institutional feature, the so-called strategic partnership framework.

The ideational turn in Hungary's foreign economic policy under Viktor Orbán has been extensively analysed in recent political science and political economy literature. Anna Vachudova (2020) positions Orbán's economic nationalism within a broader pattern of ethnopopulist backsliding in Central Europe, where leaders combine nationalist economic rhetoric with illiberal governance practices. This analysis is complemented by Bohle & Greskovits (2019), who demonstrate how Orbán's regime managed to transform Hungary's embedded neoliberalism into a distinctive form of illiberal capitalism while maintaining its export-oriented growth model. Smilova (2021) shows how this ideational transformation was part of a broader illiberal democratic project that sought to redefine the relationship between state, market, and society. This ideational transformation had particular implications for foreign economic relations. Marác (2023) emphasises how this reorientation was presented as a return to Hungary's historical role as a bridge between East and West. Overall, extant literature suggests that the ideational foundations of Orbán's illiberal foreign economic policy were not merely rhetorical justifications but served as actual blueprints for institutional change, enabling Hungary to pursue a distinctive development path within the constraints of European integration.

While the ideational turn of Viktor Orbán towards Asia in his post-2010 government periods is well established in the literature, the consistency of his stance is remarkable across the spectrum of political speeches explaining his long-term vision, the policy documents produced by his administrations as well as his policy initiatives including the establishment of strategic partnerships. Viktor Orbán's widely quoted speech in Tusnádfürdő can be considered to be a defining moment in the development of the ideology of the illiberal state. In this speech, he claimed that '[the government] has realised that [Hungary's economic] system [...] is by definition capital-poor, therefore cannot be operated without the involvement of international capital. However, it does matter which

international firms come in to settle, in which sectors and in what proportions. [...] We also set the goal of strengthening the position of Hungarian national capital.’³

The prime minister identified certain areas of the economy where ‘the network of large Hungarian companies capable of demonstrating competitiveness in sectors essential for international competitiveness is slowly being established.’ These sectors included energy, represented by major companies such as MVM and MOL, or the financial sector (with a desire for a 50% level of Hungarian ownership—see Sebók & Simons (2022)). Orbán also mentioned branches of the economy where the Hungarian government entered into disputes with the EU in pursuit of its nationalisation objectives. ‘There was this conflict with the European Union, a conflict we undertook on a national basis: we taxed the major telecommunications companies, the EU did not accept this, initiated proceedings against us (...). The EU withdrew its lawsuit, (...) believe it or not, we collected 185 billion forints [close to €500 million] that they couldn’t take back from us.’

Orbán embedded these cases in a more abstract analysis: ‘Today, the most prominent topic in thinking is understanding those systems that are not Western, not liberal, perhaps not even democratic, and yet they succeed in making nations prosperous. In international analyses today, the stars are Singapore, China, India, Russia, and Turkey (...). [Hungary is trying to break away] from the dogmas and ideologies accepted in Western Europe, gaining independence from them, that form of community organisation, that new Hungarian state capable of making our community competitive in the global race over decades.’ Peragovics & Szunomár (2022, pp. 15–16) comment on this by highlighting Orbán’s conviction that Western hegemony obstructs Central European nations from catching up and finding growth models suitable for them. They interpret this as the reason why he advocates turning towards Asia and strengthening ties with China as the only solution.

A decade after the aforementioned speech, in a major parliamentary address in September 2023, Orbán openly stated that the strategic partners of Hungary were no longer in the EU but were located in the East. This thinking was also represented in the works of his key advisers, including Balázs Orbán, the political director of the Hungarian prime minister. He explicitly tackled this subject in his Hungarian language book on ‘connectivity’, published in 2023. According to this vision, which was also laid out in various government speeches and conferences, Hungary can only escape the middle-income trap by turning toward the strengthened Asian countries, particularly China. Balázs Orbán argued that the West was in decline, and its bloc formation responses to recent crises only further worsened Hungary’s position. According to an article by him, a solution to this could be a new

³A kormány nemzeti gazdaságpolitikát folytat - Viktor Orbán's speech in Tusnádfürdő, 29 July 2013, available at: <https://2010-2014.kormany.hu/hu/miniszterelnokseg/miniszterelnok/beszedek-publikaciok-interjuk/a-kormany-nemzeti-gazdasagpolitikat-folytat>, accessed 2 January 2024.

growth model based on Hungary's efforts to 'maintain connections with as many countries and market players from around the world as possible.'

Such concrete strategic plans were often accompanied in Viktor Orbán's speeches by calls for a fight against 'liberal hegemony'. This was all the more important for Orbán, as he – from at least 2011 on – built his rhetoric on the vision of an 'economic crisis (that) is shaking the Western world. (...) These changes in pace and depth represent a part of an entirely new world political and economic era.' He also compared the West to a shipwreck or employed similar metaphors: 'We could have found Hungary among the countries drifting towards the reefs, and now we can find it among the group of countries moving away from the reefs. In summary, the Western horizon is darker today, and not fewer but more storm clouds are gathering.'

Foreign economic policy strategies

Foreign economic policy strategies have reflected this general Western scepticism and East boosterism since the early days of the Orbán-government taking office in 2010. The initial iteration was presented as a white paper in 2011 by the Ministry of National Economy.⁴ This 43-page document pointed out that Hungary's foreign trade exhibits a high degree of geographical concentration. It noted that diversification was a crucial objective, and considering that the economic impact of the financial crisis had been least felt in Asian countries, they could represent a valuable focus for this effort. The paper laid out four primary goals for the upcoming decade: doubling Hungary's exports; fostering the growth of exports from Hungarian small and medium-sized businesses; doubling foreign direct investments in Hungary; and doubling Hungarian direct investments in neighbouring nations (Éltető & Völgyi 2013b).

The concrete plan for 'Eastern opening' was hatched in the foreign economic policy strategy part of the 'Széll Kálmán Plan 2.0.'. This 505-page program of structural reform, released in 2012, was the first document to (implicitly) set out the Eastern part of the grand strategy to reorient the Hungarian economy (Bernek 2018). The 'Eastern opening' strategy represented a plan for diversification based on luring 'good FDI' into the country, with a focus on the assembly sectors that formed the cornerstone of Hungary's export production (Éltető & Völgyi 2013a). The strategy received a fair amount of foreign policy, rhetorical or otherwise politically oriented analysis, but here we focus on research examining the general strategic reorientation of economic ties and the role of FDI in this process (Éltető & Szunomár 2016; Jacoby & Korkut 2016; Völgyi & Lukács 2021; Sebők & Simons 2022).

⁴*Foreign economic policy strategy*, May 2011, available at: http://www.pestmegye.hu/images/2014/agazati_strategiak/Kulgazdasagi_Strategia_2011.pdf, accessed 2 January 2024.

Buzogány (2017) accurately described the ‘Eastern opening’ as a strategy to use a ‘Western flag’ to harness an ‘Eastern wind’. The objective of this reorientation was to shift away from the overwhelming influence of Western investments and broaden the scope of foreign investments on a more global scale. The ‘Hungarian Growth Plan’ section within the Széll Kálmán Plan 2.0. imagined Hungary as a regional hub and a focal point for economic activity, by leveraging the country’s geographical advantages. Hungary could serve as the ‘western gateway to the Asian growth zone, the eastern gateway to the innovation-led Western European growth zone, and a significant player in the emerging north-south Amber Road corridor in the years to come.’⁵

The commitment of the government to the ‘Eastern opening’ strategy was reinforced by a cabinet reshuffle in 2014 with additional vice-undersecretaries being created within the foreign ministry (Müller & Gazsi 2023, pp. 405–406). In 2015, the Minister of Foreign Affairs and Trade released a 14-page document justifying Hungary’s newly announced ‘Southern opening’ in its foreign policy. In this paper (called Foreign Economic Policy Strategy – 2015), the government highlighted the loss of competitiveness in the European Union and underscored the conflicts between ongoing geopolitical processes in Europe and long-term European interests.⁶ The primary objective of this strategy was to facilitate the expansion of the country’s exports towards the emerging, rapidly growing Asian countries, aiming for a significant increase in trade volume (Bernek 2018).

The Russian-Ukrainian war ushered in a new chapter in Hungarian foreign economic policy thinking, and the government’s communication has shifted from the ‘Eastern opening’ to the so-called ‘Connectivity model’ strategy. According to this, for economic development and catching up to Western levels, Hungary should strive to maintain connections with as many other countries and market players worldwide as possible. These connections should encompass trade, infrastructure links, investments, knowledge transfer, and public diplomacy. This ‘omnidirectional’ alignment was declared by the Prime Minister during his Autumn 2023 visit to China as well. He stated that instead of ‘de-risking’ and decoupling, the Hungarian economic strategy is built on connectivity, and the goal is to become the meeting point for Eastern and Western economies and technologies.

Strategic partnerships

The ‘Eastern opening’ strategy was partly implemented in the framework of strategic partnership agreements. From 2012 on, larger multinational companies (both those planning to invest or already present in the country) that were deemed to be critical for the success of Hungarian economic policy were granted a (part rhetorical, part

⁵Széll Kálmán Plan 2.0., April 2012, p. 10, available at: https://2010-2014.kormany.hu/download/3/e8/80000/1-A_k%C3%B6vetkez%C5%91_l%C3%A9p%C3%A9s%20%28SzKT%2020%29.pdf, accessed 2 January 2024.

⁶Foreign Economic Policy Strategy, 2015, p. 4, available at: <https://kimittud.hu/request/4375/response/7411/attach/5/mell%20klet.pdf>, accessed 2 January 2024.

material) privileged status (Bartha 2016; Szanyi 2016). Over the subsequent decade, several Chinese and other Asian companies struck such strategic partnership deals (see Table 1). As of 2023, out of the 94 such agreements, 18 involved Asian companies (seven each from China and Japan, three from India and one from South Korea). As we show below in our review of FDI data, this signalled that Asian companies were overrepresented vis-à-vis their respective share of the total FDI stock.

Table 1: Strategic partnership agreements with Chinese companies^{7,8}

Company	Year of strategic partnership agreement
Huawei Technologies Hungary Kft.	2013
BorsodChem Zrt.	2014
Yanfeng Hungary Automotive Interior Systems Kft.	2016
Bank of China (CEE) Zrt.	2017
Wescast Hungary Zrt.	2017
S.E.G.A. Hungary Kft.	2020

As foreign affairs minister Péter Szijjártó remarked in 2015: ‘The overall task and objective of Hungarian economic strategy is to establish a relationship and collaboration with large international corporations operating in Hungary (...). (Strategic partnership agreements) seek to integrate them more comprehensively, make them more interested in the successes of the Hungarian economy, and create a win-win situation wherein the interests of international corporations go beyond solely maximising profits in the short term and potentially exiting, but rather focus on building a long-term presence in Hungary.’ This win-win situation was mostly achieved with major subvention packages, especially for companies with new projects.

The realignment of inward FDI stock in the context of ‘Eastern opening’

Growing Chinese presence in financial, infrastructure and digital networks

In the theory of Schindler *et al.* (2023), the US and China engaged in a global competition for centrality in four interrelated networks, with the expectation that these networks would contribute to their roles as global hegemony. In our empirical analysis below, we focus on *production* networks out of these four, as measured by the evolution of FDI trends. This is not to say, that in the other three network types, no similar reorientation took place.

Regarding *financial* networks, a convergence started between Hungary and China, even if in a limited manner. In 2013, Hungary became the pioneer in the EU by signing a currency swap agreement with the People’s Bank of China. In 2015, Hungary’s central bank (in partnership with the Bank of China), hosted the first Budapest

⁷Strategic partnership agreements, available at: <https://kormany.hu/kulgaszdasagi-es-kulugyminiszterium/strategiai-partnersegi-megallapodasok>, accessed 2 January 2024.

⁸There was also a partnership agreement with Chinese Le Bélier Magyarország Formaöntöde Zrt; however, at the time of signing, it was not yet under Chinese ownership.

Renminbi Initiative Conference, solidifying Budapest's position as a financial centre in the region, with a specific focus on exploring opportunities in renminbi financing and examining the involvement of Chinese banks in Hungary (Nagy *et al.* 2023). The aim was to promote economic collaborations between China and Hungary, particularly in the context of the renminbi-Hungarian forint market. Moreover, Hungary's central bank ventured into the Chinese bond market during that same year. The Bank of China has been present in the country since 2003, and in 2017, it signed a partnership agreement with the government to support the 'Eastern opening' policy.⁹

In terms of *infrastructure* networks, significant cooperation was launched. In China's Belt and Road Initiative (BRI—Zhang 2018), Hungary played a pivotal role as a primary entry point and distribution hub in Europe. In 2015, Hungary – the first such EU country – signed a Memorandum of Understanding in support of BRI and commenced the construction of the Budapest-Belgrade railway (Matura 2018; Völgyi 2021). The construction project, involving a HUF 550 billion (€1.45 billion) loan, will facilitate faster cargo transportation between Europe and Asia. China has also launched significant infrastructure projects in the Western Balkan valued at about €7.8 billion from 2010-2017. Here, China has emerged as a vital investor due to the limited success of the EU's efforts to stabilise the region through the Stabilisation and Association Process (Hou 2024).

Finally, in the context of *digital* networks, Hungary exhibited significant openness to Chinese initiatives targeting digital infrastructure (in contrast to many other EU countries and the US). Hungary explicitly aimed to serve as a gateway for the participation of Chinese ICT companies in European developments: it supported the Digital Silk Road initiative and did not consider Chinese telecommunications companies as security threats (Szunomár & Lima da Frota Araujo 2022). Furthermore, Hungary was the first—and, as of 2023, remains the only—country in the European Union to officially choose Huawei for the construction of its 5G network in 2019. This engagement was followed up by two new additional investments (a European supply centre plant in Páty and an R&D centre in Budapest) in Hungary.

Foreign trade as a secondary focus in 'Eastern opening'

The primary motivation for 'Eastern opening' was the utilisation of opportunities arising from the emergence of new growth centres in the global economy. These objectives encompassed both the strengthening of Hungary's ability to attract capital from the East and the boosting of trade. Despite allocating significant resources for the task and establishing new institutions, such as the Hungarian National Trading House (HNTH), the export of Hungarian businesses to Asia did not see a breakthrough in the period. The HNTH was tasked with maintaining

⁹*Strategic partnership agreements - Bank of China*, 2017, available at: https://2015-2019.kormany.hu/download/8/93/f0000/Bank_of_China_HU.pdf, accessed 2 January 2024.

connections with exporters and providing export support services, and it also established a network of trading houses abroad to assess foreign market demand and find business partners.

In its initial three years of operation, the revenue generated by HNTH did not cover its costs, resulting in an overall loss of approximately HUF 8.5 billion (€21.2 million).¹⁰ The State Audit Office later concluded that the HNTH's performance and asset management were not in compliance with regulations. In 2018 the trading house network was terminated, and the duties of HNTH were transferred to the newly formed HEPA (Hungarian Export Promotion Agency), resulting from the merger of multiple organisations.¹¹

The 'Eastern opening' strategy also emphasised the need for 'higher efforts to increase market shares in countries with significant demand, and, to achieve this, an above-average expansion of exports to those destinations.' The concrete goal of increasing the share of non-EU exports in the total by over 10 percentage points from an initial 20% level within 5 years was also set later on. In light of the annual growth rates of exports to individual Eastern countries relative to the annual growth of total Hungarian exports in most cases, this target was not met in the years before 2023. Notably, exports to China and South Korea produced annual growth rates of around 20%,¹² yet their shares in total exports still could not increase.¹³ Ambitious goals of expanding into markets beyond the EU did not materialise either. According to data from the Hungarian Central Statistical Office (KSH) the total non-EU export share fluctuated between 19-23% with no clear trend between the announcement of the policy in the mid-2010s and the early 2020s.¹⁴

The increasing significance of Asian countries in the inward FDI stock

Following the dissolution of the Soviet bloc, the Central and Eastern European (CEE) region became integrated into international trade networks, drawing substantial FDI to the area (Bandelj 2002). These markets exhibited strong growth prospects and rapidly emerged as appealing FDI destinations, driven by both geographical and economic factors (Hlaváček & Bal-Domańska 2016; Toplišek 2020). The domestic markets of CEE countries lacked in size (except for Poland) and they had scarce natural resources. Nevertheless, their labour force was

¹⁰Report of the Hungarian State Audit Office, 2018, p. 9, available at: <https://docplayer.hu/115533378-Jelentes-az-allami-resztulajdonu-gazdasagi-tarsasagok-ellenorzese-mnkh-magyar-nemzeti-kereskedohaz-zrt.html>, accessed 2 January 2024.

¹¹Government decree, 10 September 2018, available at: <http://www.kozlonyok.hu/nkonline/MKPDF/hiteles/MK18136.pdf>, accessed 2 January 2024.

¹²KSH data retrieved from <https://statinfo.ksh.hu/Stainfo/haViewer.jsp>, accessed 2 January 2024. Used indicators: Product-level trade data, exports, and border parity value in €.

¹³Based on KSH data China's share stood at 1.5% in 2022, indicating a slight decrease. The share of South Korea practically stagnated at 0.5%.

¹⁴KSH data, retrieved from: https://www.ksh.hu/stadat_files/kkr/hu/kkr0004.html, accessed 2 January 2024.

characterised by their skill, level of education, and willingness to work for lower wages (Bobenič Hintošová *et al.* 2018).

Despite the relatively modest size of the country, after the regime change in 1990, Hungarian economic elites swiftly recognised its comparative advantages and actively sought to establish a position within the evolving global division of labour. EU-originated FDI was also a critical area in accession negotiations. The EU used membership conditionality and annual reports to stress the importance of privatisation via foreign ownership of key sectors (Medve-Bálint 2014). Traditionally, FDI inflows to Hungary targeted the manufacturing sector—slowly shifting over the subsequent decades towards service industries. This trend was scrapped with the second Orbán government in 2010 with a return to a focus on FDI in manufacturing, particularly in the automotive and pharmaceuticals sectors (Endrődi-Kovács & Goreczky 2020; Pečarić *et al.* 2021).

In the post-1990 era, Hungary's most important partners in terms of FDI came from Western democracies (Bradshaw 2017). Due to the limitations of statistical reporting in this period, it is challenging to quantify the respective share of foreign investors from specific countries correctly. Nevertheless, publications from these periods also exist, allowing us to provide a rough estimate of the trajectory of FDI from various countries. According to a publication by the MNB, in 2005, FDI from the USA accounted for only 4.4% in Hungary,¹⁵ but it showed significant growth over the following decade. The first year for which breakdowns of ultimate (not intermediate, such as offshore) investors are available is 2014 (see Appendix A for a full explanation of our methodological choices when it comes to FDI statistics).¹⁶ This indicates that, alongside Germany, the United States was the most significant FDI source for Hungary. As of 2014, the US stood as the second-largest investor in Hungary with a 19% share.^{17,18} As of 2019, about 1,400 American companies operated in the country, employing over 100,000 staff.

¹⁵Foreign Direct Investment, Hungary 1995-2005', *MNB*, 2007, p. 37, available at: <https://www.mnb.hu/letoltes/mukt-en-1.pdf>, accessed 12 September 2024.

¹⁶We primarily rely on data provided by the Hungarian National Bank (MNB) which serves as the central bank. We utilise FDI stock data categorised by ultimate investors, excluding Special Purpose Entities (SPEs), to analyse the breakdown of foreign direct investment by countries. This approach offers a more realistic portrayal of the countries' actual presence, considering that many companies often conduct their investments through an intermediary country. (Casella 2019; Sass *et al.* 2019) Simultaneously, we mitigate distorting factors associated with financial transactions that lack tangible economic impacts (OECD 2009). For a more detailed discussion of the challenges related to quantifying FDI, please refer to Appendix A. For our choice of MNB data versus other options, see Appendix D.

¹⁷MNB statistics, FDI net stock, SPE-s excluded, ultimate investor, available at <https://statisztika.mnb.hu/statistical-topics/balance-of-payments-and-related-statistics/foreign-direct-investments/closing-positions-of-fdi-by-the-country-of-ultimate-investor> Table 1.1., accessed 1 April 2024.

¹⁸The MNB pointed out that a considerable amount of American investments entered Hungary through other countries such as Luxembourg, the Netherlands, the United Kingdom, and Austria, which resulted in significant inconsistencies in the statistics. A comparison of the breakdown by direct and ultimate investor country clearly

Despite these figures, from 2014, the stock of American FDI in Hungary exhibited a declining trend in the years leading up to 2023.¹⁹ Whereas it stood at €15.4 billion in 2014, it fell short of €8,8 billion in 2022.²⁰ Consequently, by 2022, the US relinquished its second place and slipped to fourth on the ranking of the most significant FDI partners, contributing only 9% to the stock of inward FDI to Hungary (see Table 2).^{21,22} When examining the gross value added by foreign-controlled enterprises, the share of the US also decreased, from 20% in 2010 to 15% in 2020.²³ This decreasing US presence is frequently attributed to Hungary's diminishing competitiveness, a phenomenon often associated in American foreign policy circles with political developments under the Orbán-regime, such as the 'persistent corruption and cronyism' as articulated in the Investment Climate Statement Report of the State Department.²⁴

illustrates this, with the United States ranking only 9th in terms of direct investor breakdown, constituting less than 5 percent of total investment. MNB statistics, 'Breakdown of inward FDI positions according to the country of the ultimate investor', available at: <https://statisztika.mnb.hu/sw/static/file/en-a-kozvetlentoke-befektetes-allomany-vegso-befektetore-allokallasa-h.pdf> (p.6), accessed 1 April 2024.

¹⁹During the examined period, only two years, 2016 and 2021, exhibited significant year-on-year increase according to MNB statistics. If we disregard the outlier value in 2014, then only stagnation can be identified. The high value in 2014 cannot be assessed due to the lack of preceding statistics.

²⁰MNB statistics, FDI net stock, SPE-s excluded, ultimate investor, available at <https://statisztika.mnb.hu/statistical-topics/balance-of-payments-and-related-statistics/foreign-direct-investments/closing-positions-of-fdi-by-the-country-of-ultimate-investor> Table 1.1., accessed 1 April 2024.

²¹MNB statistics, FDI net stock, SPE-s excluded, ultimate investor, available at <https://statisztika.mnb.hu/statistical-topics/balance-of-payments-and-related-statistics/foreign-direct-investments/closing-positions-of-fdi-by-the-country-of-ultimate-investor> Table 1.1. Inward FDI position by the country of the ultimate investor, accessed 1 April 2024.

²²If we rely on American data reporting, it shows a less clear trend, the outlier value in 2014 is missing and from 2019 onwards, expansion appears to be more evident. (US BEA statistics, 'US Direct Investment Abroad: Direct Investment Position on a Historical-Cost Basis, Country-Detail by Selected Industry', available at <https://www.bea.gov/international/di1usdbal>, accessed 1 April 2024.) The discrepancy is likely attributable to methodological differences and exchange rate variations. As the Hungarian data shows a similar pattern to the ones in OECD databases used for international comparisons, we consider it indicative. (OECD statistics, OECD statistics, FDI positions by counterpart area, BMD4., FDI positions - total, ultimate counterpart, non-SPEs, available at [https://data-explorer.oecd.org/vis?fhs=Topic%2C1%7CEconomy%23ECO%23%7CForeign%20direct%20investment%20%28FDI%29%23EFCO_FDI%23&pg=0&bp=true&snb=7&tm=FDI%20positions%20by%20partner%20country%20&vw=tb&df\[ds\]=dsDisseminateFinalDMZ&df\[id\]=DSD_FDI%40DF_FDI_POS_CTRY&df\[ag\]=OECD.DA.F.INV&df\[vs\]=1.0&dq=POL%2BSVK%2BHUN%2BCZE.LE_FA_F.USD_EXC..NET_FDI...USA%2BCHN..A.&pd=2014%2C&to\[TIME_PERIOD\]=false&ly\[cl\]=TIME_PERIOD%2CMEASURE_PRINCIPLE%2CLEVEL_COUNTERPART%2CTYPE_ENTITY&ly\[rw\]=COUNTERPART_AREA%2CCOMBINED_UNIT_MEASURE%2CREF_AREA](https://data-explorer.oecd.org/vis?fhs=Topic%2C1%7CEconomy%23ECO%23%7CForeign%20direct%20investment%20%28FDI%29%23EFCO_FDI%23&pg=0&bp=true&snb=7&tm=FDI%20positions%20by%20partner%20country%20&vw=tb&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_FDI%40DF_FDI_POS_CTRY&df[ag]=OECD.DA.F.INV&df[vs]=1.0&dq=POL%2BSVK%2BHUN%2BCZE.LE_FA_F.USD_EXC..NET_FDI...USA%2BCHN..A.&pd=2014%2C&to[TIME_PERIOD]=false&ly[cl]=TIME_PERIOD%2CMEASURE_PRINCIPLE%2CLEVEL_COUNTERPART%2CTYPE_ENTITY&ly[rw]=COUNTERPART_AREA%2CCOMBINED_UNIT_MEASURE%2CREF_AREA), accessed 13 December 2024.)

²³Foreign-controlled enterprises in Hungary, 2020, available at: https://www.ksh.hu/docs/hun/xftp/idoszaki/kulf_irany_vall/2020/index.html, accessed 2 January 2024.

²⁴Investment Climate Statements, 2018, available at: <https://www.state.gov/reports/2018-investment-climate-statements/hungary/>, accessed 2 January 2024.

Table 2: The TOP 10 foreign investor countries based on inward FDI stock data in Hungary²⁵

Ranking	2014			2022		
	Partner	Stock (million €)	Share in total (%)	Partner	Stock (million €)	Share in total (%)
1	Germany	21 738,6	26	Germany	18 738,5	19
2	USA	15 440,7	19	Austria	9 136,7	9
3	Israel	9 597,8	12	South Korea	8 913,6	9
4	Austria	5 110,9	6	USA	8 847,3	9
5	France	4 141,7	5	France	5 152,6	5
6	United Kingdom	3 363,4	4	Israel	4 320,5	4
7	Italy	2 762,2	3	United Kingdom	4 277,5	4
8	Japan	1 911,7	2	China	3 527,7	3
9	Netherlands	1 871,3	2	Switzerland	3 404,1	3
10	India	1 347,5	2	Japan	3 084,7	3
13	China	1 043,7	1			
15	South Korea	952,2	1			

China went through a different trajectory in the same period. Between 2014 and 2022, the amount of Chinese inward FDI stock tripled, reaching €3.5 billion, representing 3% of the overall stock.²⁶ As of 2022, following the designation of CEE as a key region in the BRI strategy, China became the second largest East Asian investor in Hungary after South Korea (for a comparison of the characteristics of Chinese investments with those from South Korea and Taiwan see Appendix C).²⁷

In parallel with these processes, according to MNB statistics,²⁸ EU countries maintained a dominant role in investments in Hungary, with data from 2022 indicating that nearly 60% of the total FDI stock originated from the continent. The most remarkable growth from outside the EU came from South Korea, with its FDI stock volume in Hungary increasing tenfold between 2014 and 2022. Overall, some Asian countries increased

²⁵MNB statistics, FDI net stock, SPE-s excluded, ultimate investor, available at <https://statisztika.mnb.hu/statistical-topics/balance-of-payments-and-related-statistics/foreign-direct-investments/closing-positions-of-fdi-by-the-country-of-ultimate-investor> Table 1.1. Inward FDI position by the country of the ultimate investor, accessed 1 April 2024.

²⁶MNB statistics, FDI net stock, SPE-s excluded, ultimate investor, available at <https://statisztika.mnb.hu/statistical-topics/balance-of-payments-and-related-statistics/foreign-direct-investments/closing-positions-of-fdi-by-the-country-of-ultimate-investor>, Table 1.1. Inward FDI position by the country of the ultimate investor, accessed 1 April 2024.

²⁷MNB statistics, FDI net stock, SPE-s excluded, ultimate investor, available at <https://statisztika.mnb.hu/statistical-topics/balance-of-payments-and-related-statistics/foreign-direct-investments/closing-positions-of-fdi-by-the-country-of-ultimate-investor> Table 1.1. Inward FDI position by the country of the ultimate investor, accessed 1 April 2024.

²⁸MNB statistics, FDI net stock, SPE-s excluded, ultimate investor, available at <https://statisztika.mnb.hu/idosor-2974>, accessed 2 January 2024.

remarkably their investment presence in the country, while companies from some Western countries, including the US, decreased their respective presence in the years before 2023.

According to the Hungarian investment promotion agency (HIPA),²⁹ China took the lead in terms of annual investment volume in Hungary for the first time, in 2020. The trend characterised by the dynamic rise of Asian investments continued in the following years as well. 2023 brought the largest yearly investment value (€13 billion) ever recorded in Hungary. Close to 82% of the total came from East Asian countries. China stood out as the largest investor, contributing nearly €7.6 billion in investment value and surpassing all others in terms of job creation.

Overall, based on the examined indicator, a realignment process started in the relative position of the two global superpowers in Hungary, with China's weight increasing while America's is decreasing. The value of Chinese investments has multiplied, and current announcements (e.g. BYD's first European EV plant) project further growth. While on the American side, there is less interest, though investments also occurred. As Levente Magyar, Deputy Minister of Foreign Affairs and Trade, remarked in 2023: 'In the past few years there has been a shift in terms of the origin of foreign direct investments from the west to the east,' but Hungary would still welcome US investors.

Comparing this trend with other countries in the region (see Table 3), Chinese expansion displayed growing intensity everywhere, but Hungary achieved the highest stock until 2021. The American relations show a mixed picture.³⁰ Choosing 2014 as the base year, a significant increase was observed only in the Czech Republic in the inward US FDI stock until 2021, whereas the Hungarian data indicate an almost 50% decrease.³¹

²⁹It's important to note that HIPA is a government agency and its PR materials should not be considered official statistics.

³⁰In 2018, following protectionist measures by the US Administration, the Tax Cuts and Jobs Act made US outflows drop to an unprecedented negative number (\$ -157 billion). Nevertheless, as per OECD data, the US outward stock rapidly resumed growth and by 2020 it had reached its previous level. OECD Outward FDI flows and stock by country, Data available at: <https://data.oecd.org/fdi/outward-fdi-flows-by-partner-country.htm> and <https://data.oecd.org/fdi/outward-fdi-stocks-by-partner-country.htm#indicator-chart>. This one-time shock effect in US FDI outflows in 2018 is not reflected clearly in V4 data, but its impact cannot be ruled out.

³¹The significant decrease is related to the high base year of 2014. Comparing the 2021 data to 2015, it shows a slight increase. However, according to both the MNB statistics and the OECD, annual growth was only observed in 2016 and 2021 in the examined period.

Table 3: Inward FDI stock in the V4 countries (ultimate investors in million \$)³²

Year	Hungary		Czech Republic		Poland		Slovakia ³³	
	US	China	US	China	US	China	US	China
2014	18 763	1 268	9 625	204	22 921	502	305	38
2015	8 813	1 952	9 278	371	23 636	928	332	15
2016	12 790	1 934	8 867	794	20 442	707	-11	27
2017	11 156	1 989	10 321	1 101	25 566	848	223	36
2018	10 020	2 576	11 251	1 012	24 413	935	205	25
2019	7 820	2 738	11 998	1 501	23 785	1 223	401	41
2020	7 887	3 408	13 379	770	24 130	1 418	358	16
2021	10 094	4 114	12 946	931	23 871	1 569	250	80

Project-level trends: Upsurge in Chinese investments

A key reason – besides ample subsidies – to choose Hungary as a manufacturing location by Chinese companies is to facilitate their ‘Europeanisation’. This is aimed at the eradication of foreignness and, at the same time, the preservation of their corporate identity in these emerging European markets. While this strategy allows for the circumvention of the ‘liability of foreignness’, the ‘liability of origin’ can still create inconveniences when it comes to entering the EU market (Nyiri *et al.* 2024). Nevertheless, the lure of the common European market – coupled with accommodating public policies – laid the ground for a flurry of investments in many cases in the telecommunications sector (exemplified by companies like Huawei, Lenovo, and ZTE) and the chemicals industry (illustrated by the acquisition of BorsodChem by the Wanhua Group in 2011) (Szunomár *et al.* 2014). From the 2020s onwards, a growing number of automotive projects (as seen, *inter alia*, in the case of Chervon Auto) have chosen Hungary.

Chinese companies and investments played a significant role in the long-standing aim of Orbán to turn Hungary into a global hub for the electric automobile industry. The low tax-big subsidy packages offered to automakers and parts manufacturers were already enticing to Chinese investors. These have been further reinforced by a push by the Hungarian government from the early 2020s to entice battery plants to the country to secure a position in the emerging electric vehicle production global supply chain. The Chinese government also actively supported

³²OECD statistics, FDI positions by counterpart area, BMD4,, FDI positions - total, ultimate counterpart, non-SPEs, available at [https://data-explorer.oecd.org/vis?fhs=Topic%2C1%7CEconomy%23ECO%23%7CForeign%20direct%20investment%20%28FDI%29%23EFCO_FDI%23&pg=0&bp=true&snb=7&tm=FDI%20positions%20by%20partner%20country%20&vw=tb&df\[ds\]=dsDisseminateFinalDMZ&df\[id\]=DSD_FDI%40DF_FDI_POS_CTRY&df\[ag\]=OECD.DA.F.INV&df\[vs\]=1.0&dq=POL%2BSVK%2BHUN%2BCZE.LE_FA_F.USD_EXC.NET_FDI...USA%2BCHN...A.&pd=2014%2C&to\[TIME_PERIOD\]=false&ly\[cl\]=TIME_PERIOD%2CMEASURE_PRINCIPLE%2CLEVEL_COUNTERPART%2CTYPE_ENTITY&ly\[rw\]=COUNTERPART_AREA%2CCOMBINED_UNIT_MEASURE%2CREF_AREA](https://data-explorer.oecd.org/vis?fhs=Topic%2C1%7CEconomy%23ECO%23%7CForeign%20direct%20investment%20%28FDI%29%23EFCO_FDI%23&pg=0&bp=true&snb=7&tm=FDI%20positions%20by%20partner%20country%20&vw=tb&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_FDI%40DF_FDI_POS_CTRY&df[ag]=OECD.DA.F.INV&df[vs]=1.0&dq=POL%2BSVK%2BHUN%2BCZE.LE_FA_F.USD_EXC.NET_FDI...USA%2BCHN...A.&pd=2014%2C&to[TIME_PERIOD]=false&ly[cl]=TIME_PERIOD%2CMEASURE_PRINCIPLE%2CLEVEL_COUNTERPART%2CTYPE_ENTITY&ly[rw]=COUNTERPART_AREA%2CCOMBINED_UNIT_MEASURE%2CREF_AREA), accessed 13 December 2024.

³³Note: Slovakia does not publish ultimate investor data, therefore indirect data is used here.

electromobility, the proliferation of smart and autonomous vehicles, and ensured access to raw materials for Chinese companies (Szunomár *et al.* 2023).

The list of the biggest Chinese investments in Hungary (see Table 4) substantiates these general trends as the majority of the companies listed established their presence in Hungary in the years following the proclamation of the ‘Eastern opening’ strategy. Strategic partnership agreements were also in place in most cases. Additionally, the global flagship corporations (such as the Bank of China and Huawei) of Chinese capitalism that had been present on the Hungarian market before the reorientation of foreign economic policy further expanded their activities in this period.

Table 4: Biggest Chinese companies in Hungary by net turnover

	Full name	Industry	Year	Owner(s)	Net turnover in million € (2022) ³⁴	Milestones
1	BorsodChem Zrt.	Chemicals	2011	Mount Tai Chemical Holding Company S.á r.l.	3 052	2011 – Acquisition by the Wanhua Group ³⁵ 2014 – Strategic partnership agreement 2018 – Establishment of aniline factory in Kazincbarcika ³⁶ 2023 – Construction of a new thermal power plant and new chemical plants ³⁷
2	Joyson Safety Systems Hungary Kft.	Automotive (security system)	2018	Joyson Safety Systems Holdings No. 3. S.a.r.l. ³⁸	384	2014 – Establishment of plant in Miskolc 2018 - Joyson Safety System is owned jointly by the Ningbo Joyson Group and PAG ³⁹ 2019 – €42mn investment in Miskolc (€13mn is a non-refundable subsidy by the

³⁴Data acquired from ceginformacio.hu based on the latest financial reports as of 2 October 2023.

³⁵A BorsodChem beruházásai a cég piaci pozícióját és a fenntarthatóságot is erősíti’, *HIPA*, 30 June 2023, available at: <https://hipa.hu/hir/a-borsodchem-beruhazasai-a-ceg-piaci-poziciojat-es-a-fenntarthatosagot-is-crositi/>, accessed 2 January 2024.

³⁶Anilingyárat épít a BorsodChem’, *Világgazdaság*, 3 October 2018, available at: <https://www.vg.hu/cegvilag/2018/10/anilingyarat-epit-a-borsodchem-2>, accessed 2 January 2024.

³⁷Új hőerőművet és új vegyi üzemeket épít a BorsodChem’, *Infostart*, 30 June 2023, available at: <https://infostart.hu/gazdasag/2023/06/30/szijasarto-peter-beigazolodott-a-tizenharom-evvel-ezelotti-dontes-helyessege>, accessed 2 January 2024.

³⁸Joyson Safety System is owned jointly by Joyson Group and PAG. See: <https://hr.joysonsafety.eu/hu/>.

³⁹Joyson and PAG fund KSS to Acquire Air-Bag Maker Takata in Asset Deal’, *PAG*, 11 April 2018, available at: <https://www.pag.com/en/joyson-and-pag-fund-kss-to-acquire-air-bag-maker-takata-in-asset-deal>, accessed 2 January 2024.

						Hungarian government) ^{40,41}
3	S.E.G.A. Hungary Kft.	Automotive (component)	2018	SEG Automotive Germany GmbH	346	2003 – Bosch plant in Miskolc (starter motors and generators) 2016 – SEG Automotive spun-off 2018 – SEG Automotive Germany GmbH was purchased by Zhengzhou Coal Mining Machinery Group Co. ⁴² 2020 – Strategic partnership agreement 2021 – New €11,9mn investment in Szirmabesenyő (€3,4mn in non-refundable subsidy) ^{43,44}
4	KUKA Hungária Kft.	Robotics	2016	KUKA Deutschland GmbH	248	2016 - KUKA Deutschland GmbH was purchased by the Midea Group ⁴⁵
5	Huawei Technologies Hungary Kft.	Electronics / ICT	2005	Huawei Technologies Cooperatief U.A.	183	2005-2015 – €200mn investment in Hungary ⁴⁶ 2013 – Strategic partnership agreement 2015 - Huawei is the official sponsor of the Hungarian Water Polo Federation ⁴⁷ 2016 – Research cooperation with Széchenyi István University (Győr) ⁴⁸

⁴⁰ 'Bővíti gyárát a Joyson Safety Systems Hungary Kft. Miskolcon', *hirado.hu*, 11 October 2019, available at: <https://hirado.hu/belfold/gazdasag/cikk/2019/10/11/boviti-gyarat-a-joyson-safety-systems-hungary-kft-miskolcon>, accessed 2 January 2024.

⁴¹ The original value is in HUF. The value has been converted according to the exchange rate of 4 October 2023.

⁴² 'A BOSCH SG mostantól SEG Automotive' *racingline.hu*, 11 January 2018, available at: <https://racingline.hu/automobil/a-bosch-sg-mostantol-seg-automotive/2018/01/11/>, accessed 2 January 2024.

⁴³ 'Szijjártó Péter: A kínai cégek számára Magyarország a fő beruházási célpont Közép-Európában', *origo.hu*, 18 November 2021, available at: <https://www.origo.hu/gazdasag/20211118-szijjarto-peter-kinai-ceg-sega-szirmabesenyo-beruhazas.html>, accessed 2 January 2024.

⁴⁴ The original value is in HUF. The value has been converted according to the exchange rate of 4 October 2023.

⁴⁵ 'Midea completes acquisition of German robot maker Kuka', *S&P Global*, 8 January 2017, available at: <https://www.spglobal.com/marketintelligence/en/news-insights/trending/GJozjWvrKhepx0Jq12SsHw2>, accessed 2 January 2024.

⁴⁶ '10 éve Magyarországon a Huawei', *mediainfo.hu*, 26 June 2015, available at: <https://www.mediainfo.hu/hirek/article.php?id=36917>, accessed 2 January 2024.

⁴⁷ 'A sport és az oktatás támogatására figyel idén a Huawei', *origo.hu*, 1 June 2016, available at: <https://www.origo.hu/gazdasag/20160601-veszpremi-kezilabda-ferfi-vizilabda-valogatott-huawei-oktatas-sport.html>, accessed 2 January 2024.

⁴⁸ 'A jövő technológiái: a Széchenyi István Egyetem újabb hallgatói végezték el a Huawei képzését', *SZE Alumni*, 25 November 2022, available at: <https://alumni.sze.hu/a-jovo-technologiai-a-szechenyi-istvan-egyetem-ujabb-hallgatoi-vegeztek-el-a-huawei-kepzeset/>, accessed 16 September 2024.

						2020 – Establishment of new R&D centre in Budapest ⁴⁹ 2022 – New large-scale investment in Páty ⁵⁰
6	Le Bélier Magyarország Formaöntöde Zrt.	Automotive (light metal casting)	2021	Le Bélier SA	168	1994 – Foundry in Ajka ⁵¹ 2015 – Strategic partnership agreement, new €2.1mn investment ^{52,53,54} 2021 - Le Bélier SA purchased by the Wencan Group ⁵⁵
7	Yanfeng Hungary Automotive Interior Systems Kft.	Automotive (component)	2015	Yanfeng International Automotive Technology UK Co. Ltd.	166	2004 - Hirtenberger Automotive Safety establishes plant in Pápa ⁵⁶ 2015 - YAI becomes a joint venture between Automotive Trim Systems of China and Johnson Controls of the US ⁵⁷ 2016 – Strategic partnership agreement, new €1.95mn investment in the plant in Pápa ^{58,59}
8	Volvo Autó Hungária Kft.	Automotive (sales)	2010	VOLVO Personvagnar Aktiebolag	139	2010 – Volvo is purchased by Zhejiang Geely Holding Group ⁶⁰ 2022 – Volvo's regional plant will finally located not in Hungary, but in

⁴⁹‘A Huawei kutatási-fejlesztési központot nyit Budapesten’, *444.hu*, 20 October 2020, available at: <https://444.hu/2020/10/20/a-huawei-kutatasi-fejlesztési-kozpontot-nyit-budapesten>, accessed 2 January 2024.

⁵⁰‘Lezárult a Huawei pátyi üzemének fejlesztése’, *autopro.hu*, 8 March 2022, available at: <https://autopro.hu/trend/lezarult-a-huawei-paty-i-uzemenek-fejlesztese/652888>, accessed 2 January 2024.

⁵¹‘Le Bélier Magyarország Zrt.’, available at: <https://www.nemzeticegtar.hu/le-belier-magyarorszag-zrt-c1910500100.html>, accessed 13 December 2024.

⁵²‘Nyolcmilliárd forintos beruházást hajt végre Ajkán a Le Bélier francia cég’, *kormany.hu*, 20 January 2015, available at: <https://2015-2019.kormany.hu/hu/kulgaszdasagi-es-kulugyminiszterium/parlamenti-allamtitkarsag/hirek/nyolcmilliard-forintos-beruhazast-hajt-vegre-ajkan-a-le-belier-francia-ceg>, accessed 2 January 2024.

⁵³The original value is in HUF. The value has been converted according to the exchange rate of 4 October 2023.

⁵⁴The original value is in HUF. The value has been converted according to the exchange rate of 4 October 2023.

⁵⁵‘Wencan Group Acquires Le Belier’, *mergr.com*, 28 July, 2021, available at: <https://mergr.com/wencan-group-acquires-le-belier-sa>, accessed 2 January 2024.

⁵⁶‘Pápan bővíti a Yanfeng Automotive Interiors’, *pid.hu*, 28 April 2016, available at: <https://pid.hu/papan-boviti-a-yanfeng-automotive-interiors>, accessed 2 January 2024.

⁵⁷‘Yanfeng Automotive Interiors joint venture formally launches’, *yanfeng.com*, 7 June 2015, available at: <https://www.yanfeng.com/en/yanfeng-automotive-interiors-joint-venture-formally-launches>, accessed 2 January 2024.

⁵⁸‘A Yanfeng 7,4 milliárdos beruházással bővíti pápai gyárát’, *hirado.hu*, 27 April 2016, available at: <https://hirado.hu/2016/04/27/a-yanfeng-74-milliardos-beruhazassal-boviti-papai-gyarat>, accessed 2 January 2024.

⁵⁹The original value is in HUF. The value has been converted according to the exchange rate of 4 October 2023.

⁶⁰‘Zhejiang Geely Completes Acquisition of Volvo Car Corporation. Stefan Jacoby Named President and CEO of Volvo Cars’, *volvocars.com*, 2 August 2010, available at: <https://www.media.volvocars.com/global/en-gb/media/pressreleases/34397>, accessed 2 January 2024.

						Kosice, Slovakia (€1.2 bn investment), ⁶¹ first Chinese electric Volvo sold in Hungary ⁶² 2023 – Start of construction of a new truck service site in Ecsér ⁶³
9	Express LUCK Europe Electric Kft.	Electronics / TV	2016	Xie Jungang Chen Pengsheng	90	2016-2020 – €5.8mn investment for the construction of a 10 thousand square metre warehouse by Kész Holding Group in Szigetszentmiklós ^{64,65}
10	Bank of China (CEE) Zrt.	Banking	2002	Bank of China (Europe) S.A., Bank of China Limited	42	2015 – First Budapest Renminbi Initiative Conference hosted, ⁶⁶ the Hungarian subsidiary of Bank of China Ltd. is allocating the proceeds from a 500 million euro bond issuance towards corporate development investments ⁶⁷ 2017 – Strategic partnership agreement

If we contrast this list with a similar account of top American investments (see Table B1 in the Appendix), a few differences readily stand out. American companies established their presence much sooner, in many cases in the first wave of privatisations during the 1990s and early 2000s. On average, they were also bigger in terms of turnover (although the single biggest company on this metric was the Chinese-controlled BorsodChem). Sectoral differences are also notable, with less involvement in the strategically important automotive business on the part of the US conglomerates. Finally, dynamics was on the side of Chinese FDI, as only a single top 10 American

⁶¹‘Már épül a Kassa melletti Volvo autógyár’, *infostart.hu*, 21 February 2023, available at: <https://infostart.hu/tudositoink/2023/02/21/mar-epul-a-kassa-melletti-volvo-autogyar>, accessed 2 January 2024.

⁶²‘Magyarországon árulják elsőként a kínai elektromos Voltót’, *Világgazdaság*, 8 November 2022, available at: <https://www.vg.hu/auto/2022/11/magyarorszagon-aruljak-elsokent-a-kinai-elektromos-volgot>, accessed 2 January 2024.

⁶³‘A Volvo Hungária legmodernebb és legzöldebb európai központját építi fel Ecséren a Weinberg’, *magyarepitok.hu*, 30 May 2023, available at: <https://magyarepitok.hu/mi-epul/2023/05/a-volvo-hungaria-legmodernebb-es-legzoldebb-europai-kozpontjat-epiti-fel-ecseren-a-weinberg>, accessed 2 January 2024.

⁶⁴‘10 ezer négyzetméteres raktársarnok érte el a legmagasabb pontját a Csepel-szigeten’, *magyarepitok.hu*, 26 April 2022, available at: <https://magyarepitok.hu/mi-epul/2022/04/10-ezer-negyzetmeteres-raktarsarnok-erte-el-a-legmagasabb-pontjat-a-csepel-szigeten>, accessed 2 January 2024.

⁶⁵The original value is in HUF. The value has been converted according to the exchange rate of 4 October 2023.

⁶⁶‘Bécs és Varsó mellett Budapest is Kína pénzügyi központja lehet a régióban?’, *novekedes.hu*, 4 May 2023, available at: <https://novekedes.hu/penzugy/becs-es-varso-mellett-budapest-is-kina-penzugyi-kozpontja-lehet-a-regioban>, accessed 2 January 2024.

⁶⁷‘Magyarországi beruházásokat finanszíroz a Bank of China’, *economx.hu*, 26 June 2015, available at: <https://www.economx.hu/nemzetkozi-gazdasag/magyarorszagi-beruhazasokat-finansziroz-a-bank-of-china.599700.html>, accessed 2 January 2024.

company (Arconic) started operations in Hungary after the Orbán government took office in 2010. If we add that major divestments by American companies also took place in this period (see e.g. GE Capital) the trends are clearly in favour of a growing Chinese and decreasing US presence in the Hungarian production sector.

This snapshot already shows the emerging importance of Chinese investors in Hungary by the early 2020s. Considering the increasing number of Chinese projects announced by HIPA in this period, the trend was expected to continue. For instance, CATL's battery plant development in Debrecen was the largest greenfield FDI project (EUR 7.34 billion) ever announced in Hungary (for an overview of battery production in Hungary, see Table B2 in the Appendix). The strong commitment between the Chinese and Hungarian parties was well demonstrated by the fact that, following Prime Minister Viktor Orbán's meeting with BYD CEO Wang Chuanfu during a visit to China in 2023, the world's leading electric and plug-in hybrid car manufacturer, BYD, chose Hungary as the location for its first European manufacturing facility.

Except for battery production and chemical industry activities, the entire manufacturing process would take place in the city of Szeged. Furthermore, the Chinese electric vehicle manufacturer also started selling its cars in Hungary, the first such location in the Central and Eastern European region. BYD's global expansion became increasingly substantial from the 2010s on, leading to higher standing in international automotive industry rankings. In 2022, BYD achieved a significant milestone by surpassing Tesla in electric car manufacturing (Szunomár *et al.* 2023). As such, the Hungarian government could point to the success of 'Eastern opening' by securing such an investment.

Conclusion

In this article, we tested whether (1) Hungary underwent a strategic reorientation in its foreign economic policy and (2) whether such a reorientation resulted in changes in economic ties as posited by the network centrality thesis of Schindler *et al.* (2023). For these purposes, we undertook a content analysis of relevant speeches and policy documents, as well as analysed shifts in FDI patterns. We opted for a research design that went beyond examining nominal values or gross investment inflows, often highlighted in government marketing campaigns. Instead, we focused on relative shares of total FDI stock and net values to capture the changing composition of foreign investment in Hungary.

Our empirical analysis of central bank data showed that US FDI stock in Hungary declined from €15.4 billion in 2014 to €8.8 billion in 2022, leading the US to drop from second to fourth place among foreign investors. Simultaneously, Chinese FDI stock tripled to €3.5 billion. Analysis of strategic partnership agreements revealed that Asian companies were significantly overrepresented relative to their FDI share, with 18 out of 94 such

agreements involving Asian firms. Project-level data further indicated that Chinese investments increasingly targeted strategic sectors like electric vehicle manufacturing and battery production. The findings suggest that rather than pursuing genuine economic diversification, Hungary's 'Eastern opening' strategy represented a deliberate pivot away from closer investment ties with the US, driven more than just by pure market forces. This case demonstrates how small states can leverage great power competition to pursue autonomous development strategies, even while remaining formally integrated with Western institutional structures.

We conclude the article by exploring additional elements of Hungary's Eastern reorientation worthy of further analysis. First, the omni-alignment strategy, namely the high-wire act of the Orbán regime between China and the United States is a risky endeavour that may result in unintended consequences. As it becomes more integrated into Chinese global networks in infrastructure, production, finance and the digital world, the ever-more illiberal Hungarian government may find it more difficult to find sources of FDI from the Western world. It may also receive inferior offers for sovereign debt underwriting and find complications in securing EU cohesion and other funds (as it did, on multiple occasions).

At one point, the dominoes can fall in strictly one direction. Therefore, additional work is needed on tying FDI trends to other aspects of Western integration, notably the strained EU-Hungary relations. The intensifying cooperation between China and some Central and Eastern European countries had already sparked concerns within EU institutions (Matura 2019), and from 2022, the EU made practical steps which were antithetical to both the spirit and implementation of Orbán's 'Eastern opening'. Commission President Von der Leyen noted in the State of the Union Address 2023 that 'We have not forgotten how China's unfair trade practices affected our solar industry [...] we have to be clear-eyed about the risks we face.' and also proposed that the Commission should launch an 'anti-subsidy investigation into electric vehicles coming from China.' Such moves would have a clear implication for the Hungarian battery industry as well as the import of raw materials needed for them—and, therefore, Orbán's 'Eastern opening' pivot as a whole.

Acknowledgements

We appreciate the research assistance of Anna Takács and the feedback of Andrea Éltető. We are thankful for the feedback from the participants of the SASE conference and the workshop of the ELTE Centre for Social Sciences, Budapest.

Supplementary materials

Replication material is available at: <https://figshare.com/s/e639bc8a5e65ab3135ba>

Funding

This research was supported by the V-Shift Momentum Project of the Hungarian Academy of Sciences.

References

- Anna Vachudova, M. (2020) 'Ethnopolitism and democratic backsliding in Central Europe', *East European Politics*, 36, 3.
- Bandelj, N. (2002) 'Embedded Economies: Social Relations as Determinants of Foreign Direct Investment in Central and Eastern Europe', *Social Forces*, 81, 2.
- Bartha, A. (2016) 'Adversarial Narratives in Populist Policy-Making: The Case of Hungarian Industrial Policy', paper presented at the conference *66th Political Studies Association /PSA/ Annual International Conference*, Brighton, March 21-23, 2016.
- Batory, A. (2016) 'Populists in government? Hungary's "system of national cooperation"', *Democratization*, 23, 2.
- Benczes, I. (2016) 'From goulash communism to goulash populism: the unwanted legacy of Hungarian reform socialism', *Post-Communist Economies*, 28, 2.
- Berneke, Á. (2018) 'Hazánk keleti nyitás politikája és a 21. századi geopolitikai stratégiák összefüggései', *Külügyi Szemle*, 17, 2.
- Bobenič Hintošová, A., Bruothová, M., Kubíková, Z. & Ručinský, R. (2018) 'Determinants of foreign direct investment inflows: A case of the Visegrad countries', *Journal of International Studies*, 11, 2.
- Bohle, D. & Greskovits, B. (2019) 'Politicising embedded neoliberalism: continuity and change in Hungary's development model', *West European Politics*, 42, 5.
- Bohle, D., Medve-Bálint, G., Šćepanović, V. & Toplišek, A. (2022) 'Riding the Covid waves: authoritarian socio-economic responses of east central Europe's anti-liberal governments', *East European Politics*, 38, 4.
- Bohle, D. & Regan, A. (2021) 'The Comparative Political Economy of Growth Models: Explaining the Continuity of FDI-Led Growth in Ireland and Hungary', *Politics & Society*, 49, 1.
- Brack, N., Coman, R. & Crespy, A. (2019) 'Unpacking old and new conflicts of sovereignty in the European polity', *Journal of European Integration*, 41, 7.
- Bradshaw, M. J. (2017) 'Foreign direct investment and economic transformation in Central and Eastern Europe'. in Turnock, D. (ed) *Foreign Direct Investment and Regional Development in East Central Europe and the Former Soviet Union* (London: Routledge).

- Buzogány, A. (2017) 'Illiberal democracy in Hungary: authoritarian diffusion or domestic causation?', *Democratization*, 24, 7.
- Casella, B. (2019) 'Looking through conduit FDI in search of ultimate investors – a probabilistic approach', *Transnational Corporations*, 26, 1.
- Clift, B. & Woll, C. (2012) 'Economic patriotism: reinventing control over open markets', *Journal of European Public Policy*, 19, 3.
- Csurgai, G. (2018) 'The Increasing Importance of Geoeconomics in Power Rivalries in the Twenty-First Century', *Geopolitics*, 23, 1.
- Éltető, A. (2023) *Akkumulátorgyártás Magyarországon*, Műhelytanulmányok 147. (Budapest, KRTK Világgazdasági Intézet)
- Éltető, A. & Szunomár, Á. (2016) 'Chinese investment and trade – strengthening ties with Central and Eastern Europe', *International Journal of Business and Management*, IV, 1.
- Éltető, A. & Völgyi, K. (2013a) *The development of Hungarian Foreign Trade with Asia*, (Budapest, Institute of World Economics Centre for Economic and Regional Studies Hungarian Academy of Sciences)
- Éltető, A. & Völgyi, K. (2013b) "'Keleti nyitás" a számok tükrében-külkereskedelem Ázsiával', *Külgazdaság*, 57, 7-8.
- Endrődi-Kovács, V. & Goreczky, P. (2020) 'Magyar vállalatok külföldi tőkeberuházásai: helyzetkép és a továbblépés lehetőségei', *Külgügyi Szemle*, 19, 3.
- Gilpin, R. (2001) *Global Political Economy: Understanding the International Economic Order* (Princeton, Princeton University Press).
- Hlaváček, P. & Bal-Domańska, B. (2016) 'Impact of Foreign Direct Investment on Economic Growth in Central European Countries', *Engineering Economics*, 27, 3.
- Hou, P. (2024) 'Two tigers in one mountain: Europeanising the Western Balkans amid China's engagement', *Asia Europe Journal*, 22, 2.
- Ikenberry, G. J. & Nexon, D. H. (2019) 'Hegemony Studies 3.0: The Dynamics of Hegemonic Orders', *Security Studies*, 28, 3.
- Jacoby, W. & Korkut, U. (2016) 'Vulnerability and Economic Re-orientation: Rhetoric and in Reality in Hungary's "Chinese Opening"', *East European Politics and Societies: and Cultures*, 30, 3.
- Jayasuriya, K. (2021) 'Beyond geopolitical fetishism: a geopolitical economy research agenda', *Australian Journal of International Affairs*, 75, 6.

- Jensen, N. (2008) 'Political Risk, Democratic Institutions, and Foreign Direct Investment', *The Journal of Politics*, 70, 4.
- Johnson, J. & Barnes, A. (2015) 'Financial nationalism and its international enablers: The Hungarian experience', *Review of International Political Economy*, 22, 3.
- Le Thu, H. (2023) 'How to Survive a Great-Power Competition: Southeast Asia's Precarious Balancing Act', *Foreign Affairs*, 102, 1.
- Lührmann, A. & Rooney, B. (2021) 'Autocratization by Decree: States of Emergency and Democratic Decline', *Comparative Politics*, 53, 4.
- Malkin, A. (2020) 'The made in China challenge to US structural power: industrial policy, intellectual property and multinational corporations', *Review of International Political Economy*, 29, 2.
- Marác, L. (2023) 'An assessment of the Hungarian partnership in the Chinese Belt and Road Initiative'. in Aminéh, M. P. (ed) *The China-led Belt and Road Initiative and its reflections: the crisis of hegemony and changing regional orders* (London New York: Routledge, Taylor & Francis Group).
- Matura, T. (2018) 'The Belt and Road Initiative depicted in Hungary and Slovakia', *Journal of Contemporary East Asia Studies*, 7, 2.
- Matura, T. (2019) 'China–CEE Trade, Investment and Politics', *Europe-Asia Studies*, 71, 3.
- Medve-Bálint, G. (2014) 'The Role of the EU in Shaping FDI Flows to East Central Europe', *JCMS: Journal of Common Market Studies*, 52, 1.
- Molnár, A. (2013) 'EU membership and the question of Hungary's sovereignty: Ideas of the European Union before and following the crisis'. in Rye, L. (ed) *Distant voices: Ideas on democracy and the Eurozone crisis* (Oslo/Trondheim: Akademika Publishing).
- Müller, P. & Gazsi, D. (2023) 'Populist Capture of Foreign Policy Institutions: The Orbán Government and the De-Europeanization of Hungarian Foreign Policy', *JCMS: Journal of Common Market Studies*, 61, 2.
- Nagy, I., Puhl, G., Szabó, D. & Szakács, D. (2023) 'Budapest as Eurasia's Emerging Financial Hub–Report on the Budapest Renminbi Initiative Conference', *Financial and Economic Review*, 22, 3.
- Nyiri, P., De Graaff, N., McCaleb, A., Szunomár, Á., Verver, M. & Ybema, S. (2024) '“Truly a European company”: a Chinese auto maker's strategies of Europeanization', *Asia Pacific Business Review*, 30, 2.
- OECD (2009) *OECD Benchmark Definition of Foreign Direct Investment 2008: Fourth Edition* (Paris, OECD Publishing).

- Pečarić, M., Kusanović, T. & Jakovac, P. (2021) 'The Determinants of FDI Sectoral Structure in the Central and East European EU Countries', *Economies*, 9, 2.
- Peragovics, T. & Szunomár, Á. (2022) *Kompország újratöltve: A Budapest-Belgrád vasútvonal jelentősége Magyarország külpolitikai identitásának kontextusában*, Műhelytanulmányok 145. (Budapest, KRTK Világgazdasági Intézet)
- Phillips, N. (ed.) (2023) *Global Political Economy* (Oxford, United Kingdom: Oxford University Press).
- Pijl, K. v. d. (2006) *Global Rivalries From the Cold War to Iraq* (London ; Ann Arbor, MI, Pluto Press).
- Pijl, K. v. d. (2017) 'Is the East Still Red? The Contender State and Class Struggles in China'. in Van Apeldoorn, B., De Graaff, N. & Overbeek, H. (eds) *The State–Capital Nexus in the Global Crisis* (London: Routledge).
- Rogers, S. (2019) 'China, Hungary, and the Belgrade-Budapest Railway Upgrade: New Politically-Induced Dimensions of FDI and the Trajectory of Hungarian Economic Development', *Journal of East-West Business*, 25, 1.
- Sass, M., Gubik, A. & Szunomár, Á. (2019) 'Ázsiai tőkebefektetések Magyarországon – Miért érkeznek gyakran közvetítő országokon keresztül?', *Statisztikai Szemle*, 97, 11.
- Schindler, S., Alami, I., DiCarlo, J., Jepson, N., Rolf, S., Bayırbağ, M. K., Cyuzuzo, L., DeBoom, M., Farahani, A. F., Liu, I. T., McNicol, H., Miao, J. T., Nock, P., Teri, G., Vila Seoane, M. F., Ward, K., Zajontz, T. & Zhao, Y. (2023) 'The Second Cold War: US-China Competition for Centrality in Infrastructure, Digital, Production, and Finance Networks', *Geopolitics*, 29, 4.
- Sebők, M. & Simons, J. (2022) 'How Orbán won? Neoliberal disenchantment and the grand strategy of financial nationalism to reconstruct capitalism and regain autonomy', *Socio-Economic Review*, 20, 4.
- Smilova, R. (2021) 'The Ideational Core of Democratic Illiberalism'. in Sajó, A., Uitz, R. & Holmes, S. (eds) *Routledge Handbook of Illiberalism* (New York: Routledge, Taylor & Francis Group).
- Strange, S. (1988) *States and Markets* (London, Pinter Publishers).
- Szabó, L. & Jelinek, C. (2023) 'State, capitalism and infrastructure-led development: A multi-scalar analysis of the Belgrade-Budapest railway construction', *Environment and Planning A: Economy and Space*, 55, 5.
- Szanyi, M. (2016) *The FDI-led development model revisited?: The case of Hungary*, (Budapest, Institute of World Economics Centre for Economic and Regional Studies Hungarian Academy of Sciences)
- Szunomár, Á. & Lima da Frota Araujo, C. R. (2022) 'Kelet-Közép-Európa a digitális selyemúton? Lehetséges politikai gazdaságtani magyarázatok', *Közgazdasági Szemle*, 69, 3.

- Szunomár, Á., Peragovics, T., McCaleb, A. & Song, W. (2023) 'Az állam által hajtott elektromobilitás: az állam szerepe a kínai elektromosautó-ipar fejlesztésében', *Külgazdaság*, 67, 7-8.
- Szunomár, Á., Völgyi, K. & Matura, T. (2014) *Chinese investments and financial engagement in Hungary*, (Budapest, Institute of World Economics Centre for Economic and Regional Studies Hungarian Academy of Sciences)
- Toplišek, A. (2020) 'The Political Economy of Populist Rule in Post-Crisis Europe: Hungary and Poland', *New Political Economy*, 25, 3.
- Völgyi, K. (2021) 'Kínai és indiai transznacionális vállalatok befektetései Magyarországon', *Statisztikai Szemle*, 99, 3.
- Völgyi, K. & Lukács, E. (2021) 'Chinese and Indian FDI in Hungary and the role of Eastern Opening policy', *Asia Europe Journal*, 19, 2.

Appendix A – The methodology of FDI statistics

The precise measurement of foreign direct investment poses numerous practical challenges. National authorities usually produce globally comparable statistics guided by definitions set forth by international organisations. However, these definitions may not comprehensively embrace all conceptualisations of FDI utilised in different theoretical frameworks. The latest international standards for compiling FDI statistics, namely the OECD's Benchmark Definition of FDI (BMD4) issued in 2008 and the IMF's Balance of Payments and International Investment Position Manual (BPM6) issued in 2013, have only been applied since 2014 (we return to this issue below).⁶⁸ Other international organisations, such as UNCTAD, also compile and disseminate FDI data.

Overall, the primary cause of inconsistencies in data usage is related to the different compilation methods used by data providers. According to the OECD⁶⁹, the main financial instruments within the framework of FDI encompass equity and debt instruments. Equity involves shares, reserves, capital contributions, and reinvestment of earnings. Debt instruments consist of marketable securities such as bonds, commercial papers, and other tradable non-equity securities, as well as loans and deposits. In the context of FDI statistics, three measures are particularly relevant: FDI positions, FDI transactions, and FDI income (*ibid.*, p. 63). Here, we particularly rely on the first two, also called stock and flow data.

FDI flows denote cross-border transactions within a specified reference period. The term covers all financial dealings, including the net acquisition or disposal of financial assets and liabilities within direct investment connections. This concept comprises three primary elements: equity transactions (ownership stakes in foreign enterprises), intercompany debt transactions (such as cross-border loans), and reinvested earnings (the retention of profits by foreign subsidiaries).⁷⁰ Therefore, FDI flows provide a dynamic view of the ongoing movement of investment funds and not of the total assets of investments. It is recorded in the financial section of the Balance of Payments.

After multiple flows of investments, the non-resident investor builds an FDI position, which is the total stock of investments taking place within the host country. This can be different than the sum of FDI flows, due to changes in prices and exchange rates. The concept of FDI positions captures the value of financial assets held by residents of a particular economy in non-resident enterprises (FDI assets), along with the financial liabilities owed by those residents to non-residents (FDI liabilities—see Eurostat). FDI stock can further be dissected by the type of financial instrument used. Equity positions describe a shareholder's total investment (both initial and additional capital contributions), proportional to their ownership stake. Debt positions on the other hand include all financial obligations between the affiliated actors. FDI positions are recorded in the international investment position account. As per OECD nomenclature, both FDI flows and positions can show negative values, which indicates disinvestment or discharges of liabilities in the given period.

As international investment practices are evolving, statistical accounting requires timely revisions to provide more comprehensive information within the framework of balance of payments statistics by central banks. Accordingly, various supplementary statistics have also been introduced beyond the core ones mentioned above. One example for such new challenges would be the integration of special purpose entities (SPEs) to statistical frameworks, whose core business involves channelling funds between entities outside the country of their establishment.⁷¹ Given that their transactions and positions have minimal impact on domestic economic activity, it is deemed beneficial to segregate them from other FDI-related activities.

Similar adjustments were needed to account for transactions identified by statisticians (referred to as capital in transit) within international corporate groups. These transactions pass through the economy without affecting it, yet they occur within companies and as such cannot be classified as SPEs due to the different ownership structure. Restructuring transactions related to the asset portfolios of multinational companies also require a separate treatment, as they do not represent new funding or an outflow of funds.⁷² To prevent distortion of the analysis and to gain insights that more accurately reflect reality, in this article we utilised statistics excluding these special cases.

⁶⁸ International standards for compiling FDI statistics, available at: <https://www.oecd.org/daf/inv/investment-policy/oecdimplementsnewinternationalstandardsforcompilingfdistatistics.htm>, accessed 2 January 2024.

⁶⁹ FDI flows [Dataset], available at: <https://doi.org/10.1787/99f6e393-en>, accessed 19 March 2024.

⁷⁰ European Union direct investments (BPM6) (bop_fdi6) [Dataset], available at: https://doi.org/10.2908/BOP_FDI6_FLOW, accessed 5 March 2024. See also: https://ec.europa.eu/eurostat/cache/metadata/en/bop_fdi6_esms.htm

⁷¹ 'OECD Benchmark Definition of Foreign Direct Investment. Fourth Edition 2008.', *OECD*, 2009, p. 100, available at: <https://www.oecd-ilibrary.org/docserver/9789264045743-en.pdf?expires=1734084414&id=id&accname=guest&checksum=85792192B341AE0A7CDB9AFDC3DECA71>, accessed 13 December 2024.

⁷² 'OECD Benchmark Definition of Foreign Direct Investment. Fourth Edition 2008.', *OECD*, 2009, p. 157, available at: <https://www.oecd-ilibrary.org/docserver/9789264045743-en.pdf?expires=1734084414&id=id&accname=guest&checksum=85792192B341AE0A7CDB9AFDC3DECA71>, accessed 13 December 2024.

Furthermore, since the 1990s, there has been a growing trend among multinational companies to invest through intermediary countries.⁷³ Indirect investments are frequently driven by taxation considerations, such as establishing subsidiaries in more favourable regulatory environments (see e.g. the 'Dutch sandwich' tax optimisation strategy). In many instances, concealing the identity of the investor is the intended objective. Consequently, the intermediary country often holds valuable insights into the relationships between the investor and the destination country.⁷⁴

FDI statistics broken down by ultimate investors provides a better understanding of the underlying business linkages and 'real' financial and productive inter-dependencies.⁷⁵ Therefore, current recommendations suggest that data providers specify not only the direct investor's country but also the ultimate investor. In the case of Hungarian statistics, the disparity between the two types of data is particularly pronounced.⁷⁶ Consequently, we based our conclusions on ultimate investor statistics, even if it meant that we could not rely on data from before 2014. The reason for this is that Eurostat initiated the adoption of the BD4 and BPM6 manuals starting from the 2013 data—and Eurostat mandates that all central banks adhere to these methodologies.⁷⁷

⁷³ See e.g. Gurshev, O., & Hamza, S. (2021). BITs, Colony Ties, and Offshore Centers: The Case of United Kingdom Outward FDI. *Journal of Economic Integration*, 36(2), pp. 203-226. <https://www.jstor.org/stable/27019033>.

⁷⁴ Sass, M., Gubik, A., Szunomár, Á. (2019) 'Ázsiai tőkebefektetések Magyarországon – Miért érkeznek gyakran közvetítő országokon keresztül?', *Statisztikai Szemle*, 97, 11. <https://doi.org/10.20311/stat2019.11.hu1050>

⁷⁵ Casella, B. (2019) 'Looking through conduit FDI in search of ultimate investors – a probabilistic approach', *Transnational Corporations*, 26, 1. <https://doi.org/10.18356/8a8b094c-en>

⁷⁶ MNB statistics, FDI net stock, SPE-s excluded, ultimate investor, available at <https://statisztika.mnb.hu/statistical-topics/balance-of-payments-and-related-statistics/foreign-direct-investments/closing-positions-of-fdi-by-the-country-of-ultimate-investor> Table 1.1. Inward FDI position by the country of the ultimate investor, accessed 1 April 2024.

⁷⁷ 'European Union direct investments (BPM6) (bop_fdi6)', Eurostat, available at: https://ec.europa.eu/eurostat/cache/metadata/en/bop_fdi6_esms.htm, accessed 13 December 2024.

Appendix B – Detailed tables on FDI projects

In this appendix, we provide additional information on FDI investment in Hungary. First, we provide data on the largest American companies active in Hungary, offering insights into their industries and turnovers (see Table B1). We also present an overview of the projects related to the Hungarian battery production boom, showcasing the expansion of Asian investors and delineating the primary features of their investments (see Table B2).

Table B1: Biggest American companies in Hungary based on net turnover⁷⁸

Full name	Industry	Establishment of Hungarian presence	Official owner(s)	Net turnover (2022) in mill. € ⁷⁹
Flextronics International Kft. ⁸⁰	Electronics/ICT	1992	Flextronics Ltd.	1 871
Jabil Circuit Magyarország Kft.	Electronics industry	2001	Jabil Circuit Inc.	1 174
Bunge Növényolajipari Zrt.	Food + tobacco + agriculture	1992	Bunge Limited	1 121
GE Hungary Kft.	Mechanical engineering	2003	General Electric Co.	1 105
Philip Morris Magyarország Kft.	Wholesale	1991	Philip Morris International Inc.	793
NI Hungary Kft.	Electronics industry	2002	National Instruments Co.	699
Lear Corporation Hungary Kft.	Automotive	2000	Lear Corp.	690
Arconic-Köfém Mill Products Hungary Kft.	Metalworking	2019	Arconic Co.	596
Howmet-Köfém Kft.	Metalworking	1993	Howmet Holdings Limited	558
Cargill Magyarország Zrt.	Wholesale	1994	Cargill Inc.	505 ⁸¹

⁷⁸ The compilation of the largest American corporations operating in Hungary relies on HVG's Top 500 companies list from 2022. We've gathered the 2022 net revenue data from the financial statements of the companies featured on this list, specifically focusing on those with the highest revenues. Please note that there might be additional significant U.S. companies not accounted for in this list.

⁷⁹ Data acquired from ceginformacio.hu based on the latest financial reports as of 2 October 2023.

⁸⁰ The Flex factory in Sárvár supplies Europe, Africa and Middle East with Lenovo products.

⁸¹ Data is acquired from the company's financial report of 2021.

Table B2: Battery production in Hungary as of 2023⁸²

Battery factories already in operation					
Company name	Location of the factory	HQ Country	Year of establishment	Official owners	Net turnover (2022) in mill. €⁸³
GS Yuasa Magyarország Kft.	Miskolc	Japan	2017	GS Yuasa International Ltd.	4
Samsung SDI Magyarország Zrt.	Göd	South Korea	2001	Samsung SDI Co. Ltd.	4075
Sangsin Hungary Kft.	Jászberény	South Korea	2018	Sang Sin Energy Display Precision Ltd.	54
SK On Hungary Kft.	Komárom	South Korea	2017	SK On Co. Ltd.	903
SK On Hungary Kft.	Ivácsa	South Korea	2017	SK On Co. Ltd.	903
Battery industry suppliers operating in Hungary					
Company name	Location of the factory	Origin	Year of establishment	Official owners	Net turnover (2022) in mill. €⁸⁵
Bumchun Precision Hungary Kft	Salgótarján	South Korea	2018	Bumchun Precision Co., Ltd	17
BYD Electric Bus & Truck Hungary Kft.	Fót	China	2005	BYD (H.K.) Co. Ltd.	44
Dongwha Electrolyte Hungary Kft.	Sóskút	South Korea	2019	Dongwha Electrolyte Co. Ltd.	0.3
Ecopro Global Hungary Zrt.	Debrecen	South Korea	2021	Ecopro Global Co. Ltd.	n/a
Halms Hungary Kft	Debrecen	China	2021	Zhejiang Huashuo Technology Co., Ltd.	6
Inzi Controls Hungary Kft.	Komárom	South Korea	2018	Inzi Controls Co., Ltd.	51
Kedali Hungary Kft.	Gödöllő	China	2020	Shenzhen Kedali Industry Co. Ltd.	5
LG Toray Hungary Battery Separator Kft.	Nyergesújfalu	Japan + South Korea	2018	LG Chem Ltd. + Toray Industries, Inc	n/a
LOTTE Aluminium Hungary Kft.	Tatabánya	South Korea	2019	LOTTE Chemical Corporation	2
Mektec Manufacturing Corporation Europe HU Kft.	Pécel	Japan	2017	Mektec Europe GmbH	51
NICE LMS Hungary Kft.	Gödöllő	South Korea	2019	NICE LMS Co. Ltd.	4
Sang-A Frontec EU Kft.	Szada	South Korea	2019	Sang-A Frontec Co., Ltd	10
SEMCORP Hungary Kft.	Debrecen	China	2020	SEMCORP Advanced Materials Group	n/a
Shinheung SEC EU Kft.	Monor	South Korea	2017	Shinheung Energy & Electronics Co. Ltd.	177
Soulbrain HU Kft.	Tatabánya	South Korea	2019	Soulbrain Holdings Co. Ltd.	80
SungEel Hitech Europe Kft.	Szigetszentmiklós	South Korea	2022	SungEel HiTech Co., Ltd.	46
Toyo Ink Hungary Kft.	Újhartyán	Japan	2020	Toyo Ink Group	6
Volta Energy Solutions Europe Kft.	Környe	South Korea	2018	Volta Energy Solutions S.a r.l.	157
Sang-A Frontec EU Kft.	Szada	South Korea	2019	Sang-A Frontec Co., Ltd	10

⁸² Data accessed on 1 June 2024. Retrieved from: <https://novekedes.hu/elemzesek/terkepre-tettuk-a-hazai-akkumulatoripart>
<https://telex.hu/komplex/2024/04/16/akkumulator-akkumulatorgyartas-magyarorszag-erteklanc-kritikak-iparositas>

⁸³ Data acquired from ceginformacio.hu based on the latest financial reports as of 1 June 2024.

⁸⁵ Data acquired from ceginformacio.hu based on the latest financial reports as of 1 June 2024.

Toyo Ink Hungary Kft.	Újhartyán	Japan	2020	Toyo Ink Group	6
New battery factories planned					
Company name	Location of the factory	HQ Country	Year of establishment	Official owners	Net turnover (2022) in mill. €⁸⁶
Contemporary Amperex Technology Hungary Kft.	Debrecen	China	2022	Contemporary Amperex Technology (Hong Kong) Limited (CATL)	n/a
Eve Power Hungary Kft.	Debrecen	China	2022	Eve Asia Co., Limited	n/a
Hungary Sunwoda Automotive Energy Technology Kft.	Nyíregyháza	China	2023	Sunwoda Electronic Co. Ltd.	n/a
Announced factories of battery suppliers					
Company name	Location of the factory	HQ Country	Year of establishment	Official owners	Net turnover (2022) in mill €⁸⁷
Bamo Technology Hungary Kft	Ács	China	2023	Huayou Cobalt Co., Ltd	n/a
Boysen Battery Components Hungary Kft.	Nyíregyháza	Germany	2022	Boysen Group	n/a
Evoring Precision Manufacturing Kft.	Jászfényszaru	China	2023	Zhejiang Shuanghuan Driveline Co., Ltd	n/a
Nippon Paper Chemicals Europe Zrt.	Vácrátót	Japan	2022	Nippon Paper Group	n/a
W-Scope Hungary Plant Kft.	Nyíregyháza	South Korea	2021	W-Scope Chungju Plant Co. Ltd.	n/a

⁸⁶ Data acquired from ceginformacio.hu based on the latest financial reports as of 1 June 2024.

⁸⁷ Data acquired from ceginformacio.hu based on the latest financial reports as of 1 June 2024.

Appendix C – Differences and similarities between the main beneficiaries of ‘Eastern opening’: South Korean, Taiwanese and Chinese investors

Given the clear trends regarding the emergence of Chinese investors as critical FDI sources for Hungary since the introduction of the ‘Eastern opening’ strategy, it would be easy to equate the implementation of the program with the facilitation of Chinese investments. However, in reality, ‘Eastern opening’ had a dual focus: based on the number of projects handled by HIPA, South Korea topped the annual investor list multiple times at the turn of the 2010s and 2020s, in sharp contrast with similar lists from previous decades which showed a Western dominance.⁸⁸ Over time, the record-breaking yearly investment inflows, primarily realised in the fields of electronics and electromobility, were also reflected in the overall inward FDI stock. Taken together, South Korea and China accounted for 12% of the total inward FDI stock in 2022, with further subsequent dynamic growth in both.⁸⁹

By 2022, the top list of foreign investors in the Hungarian manufacturing sector based on added value showed South Korea advance to the 3rd position, while China rose to the 8th position.⁹⁰ The changing structure of inward FDI between East and West is well illustrated by the fact that in the early 2010s, except for Japan, there were no Asian countries on this list. According to the latest data from 2021, the value added by South Korean companies approached 40% of the similar figure by U.S. companies, while in the case of China, this value was 30%.⁹¹

As for the differences between South Korean and Chinese investments, there was a substantial difference in the technological level of production. South Korean manufacturing enterprises present in Hungary were founded earlier and generated nearly two-thirds of their added value in advanced technology sectors, primarily in electronics (but were also involved in the rubber and plastic industry). Their Chinese counterparts predominantly engaged in activities of only moderately developed technology.⁹² Up until the early 2020s, they generated their revenue mainly through the production of chemical products, as well as in the wholesale and energy sectors. However, by 2023 there was some convergence as new investors from both countries were particularly associated with the electromobility transition in the automotive industry.

Up until the early 2020s South Korean companies were the biggest investors in Hungary from Asia both in terms of their total production value and gross operating surplus.⁹³ The productivity of South Korean companies, as measured by the added value per employee, was double that of the Chinese investments in 2019. Nevertheless, the latest data here also indicated a narrowing gap.⁹⁴ Investment strategies also show significant differences. For Chinese companies, it is more common to channel capital indirectly. For instance, in the case of Huawei and ZTE they used intermediaries based in The Netherlands to invest in Hungary. In contrast, South Korean companies typically have direct investments (Sass et al., 2019).

One of the key aspects of the sustainability of FDI projects is the role of the local supplier network. It is much more characteristic of South Korea to bring a larger portion of the production chain to Hungary to reduce transportation time and costs. Yet, alongside prominent electric car and battery manufacturers, a slew of investments by both Chinese and South Korean companies were in component manufacturing which typically does not engage in fostering a local supplier network (e.g. the South Korean Sang-A Frontec,⁹⁵ NICE LMS,⁹⁶ or

⁸⁸ ‘Új csúcson a magyarországi működőtőke-beáramlás’, HIPA, 31 January 2023, available at: <https://hipa.hu/hir/uj-csucson-a-magyarorszag-i-mukodotoke-bearamlas/>, accessed 2 January 2024.

⁸⁹ MNB statistics, FDI net stock, SPE-s excluded, ultimate investor, available at <https://statisztika.mnb.hu/statistical-topics/balance-of-payments-and-related-statistics/foreign-direct-investments/closing-positions-of-fdi-by-the-country-of-ultimate-investor> Table 1.1. Inward FDI position by the country of the ultimate investor

⁹⁰ KSH statistics, available at https://www.ksh.hu/stadat_files/gsz/hu/gsz0027.html

⁹¹ In 2021, instead of the 7 EU member states in 2010, only 4 belonged to the top 10 countries with the highest share of added value. Among them, the United States experienced a significant decline in its share. Further statistics are available: https://www.ksh.hu/stadat_files/gsz/hu/gsz0027.html

⁹² *Foreign-controlled enterprises in Hungary, 2020*, available at: https://www.ksh.hu/docs/hun/xftp/idoszaki/kulf_irany_vall/2020/index.html, accessed 2 January 2024.

⁹³ OECD statistics AMNE database, Inward activity of multinationals by investing country - ISIC Rev 4, available at https://stats.oecd.org/Index.aspx?DataSetCode=AMNE_IN_PARTNER,

⁹⁴ Own calculation based on KSH statistics, Inward FATS by geographical breakdown - enterprise level, available at <https://statinfo.ksh.hu/Statinfo/themeSelector.jsp?&lang=hu>,

⁹⁵ ‘Tíz milliárd forintos beruházással bővíti szadai gyárát a dél-koreai Sang-A Frontec’, *kormany.hu*, 5 May 2023, available at: <https://kormany.hu/hirek/tiz-milliard-forintos-beruhazassal-boviti-szadai-gyarat-a-del-koreai-sang-a-frontec>, accessed 2 January 2024.

⁹⁶ ‘Újabb koreai beruházással gazdagodik a pezsgő hazai akkumulátor gyártó ökoszisztéma’, HIPA, 7 July 2022, available at: <https://hipa.hu/hir/ujabb-koreai-beruhazassal-gazdagodik-a-pezszo-hazai-akkumulator-gyarto-okoszisztema/>, accessed 2 January 2024.

the Chinese Halms Hungary⁹⁷).⁹⁸ Despite major government subsidies to facilitate the integration of Hungarian suppliers, their representation in the supply chain of Asian investments in the automotive and battery industries remains low.⁹⁹

Finally, as an additional factor in the parallel evolution of the two 'Eastern opening' target countries, the rising tensions between China and the U.S. put South Korea at a crossroads. A notable development occurred in December 2023, when the United States surpassed China as South Korea's primary export market for the first time in two decades.¹⁰⁰ This shift in trading patterns may or may not be evidence for South Korea, and its significant Hungarian investments, to be more integrated economically with the West than the East. But it is a telltale sign of supply chain tensions in the post-Covid era and also one of security concerns, especially in chipmaking and military applications of technology.

Since the announcement of the Eastern opening policy, the inflow of FDI from several other Asian countries has also increased, Taiwan being one of them; although, when compared to other investors, the investment volumes appear relatively small in scale. Taiwanese FDI surged in 2019 at 1 356 million Euros; however, it consistently lagged behind Chinese FDI and returned to roughly 30% of it by 2022 (having decreased to nearly a quarter in the preceding years. Moreover, while Hungary held the second largest share of Taiwan's outbound FDI stocks to the EU in 2020¹⁰¹, it only represented 0.8% of the total investments in the country, according to the MNB statistics. Based on the 2021 European Economic and Trade Office publication, Hungary holds the second-largest stock of Taiwanese direct investment within the EU, following the Netherlands. In reality, this is characterised by the presence of a few large multinational corporations—a trend also observed with Chinese investments.

Another relevant similarity between the two countries is that Taiwanese investors seek to establish a presence in the region primarily for the manufacture of electronic products or the assembly of machinery and transportation equipment, with the hope of gaining access to the EU market¹⁰². Among Taiwanese investors, Frank Liu stands out due to his long-standing connections with Hungary. Information about this businessman, who also holds Hungarian citizenship, supports the notion that Taiwanese investors primarily choose Hungary because of Chinese companies, hoping that they will find it easier to conduct business locally compared to their European competitors¹⁰³. Smaller enterprises tend to prefer the Czech Republic. Notable among the multinational giants are Foxconn (with a plant in Komárom), which operates in the electronics sector, and Sinbon (with a factory in Tatabánya), a manufacturer of communication components.

⁹⁷ 'E-autó alkatrészgyártó beruházással élénkül tovább a hazai elektromos járműipari ökoszisztéma', *HIPA*, 6 September 2022, available at: <https://hipa.hu/hir/e-auto-alkatreszgyarto-beruhazassal-elenkul-tovabb-a-hazai-elektromos-jarmuipari-okoszisztema/>, accessed 2 January 2024.

⁹⁸ For further concrete companies refer to here: 'Térképre tettük a hazai akkumulátoripart', *novekedes.hu*, 19 July 2023, available at: <https://novekedes.hu/elemzesek/terkepre-tettuk-a-hazai-akkumulatoripart>, accessed 2 January 2024.

⁹⁹ 'Közel hárommilliárd forintos járműipari beszállítófejlesztési program indul', *Magyar Nemzet*, 15 November 2023, available at: <https://magyarnemzet.hu/gazdasag/2023/11/kozel-3-milliard-forintos-jarmuipari-beszallito-fejlesztési-program-indul>, accessed 2 January 2024.

¹⁰⁰ 'US Overtakes China as South Korea's Top Export Market', *BNN Bloomberg*, 31 December 2023, available at: <https://www.bnnbloomberg.ca/us-overtakes-china-as-south-korea-s-top-export-market-1.2016892>, accessed 2 January 2024.

¹⁰¹ EU-Taiwan Relations, European Economic & Trade Office, 2021, available at: https://www.eeas.europa.eu/sites/default/files/2021_eu-taiwan_relations_brochure.pdf, accessed 24 April 2024

¹⁰² 'A magyar kormány Kína-barát politikája ellenére is Magyarország a tajvani cégek egyik legvonzóbb európai célpontja', *Portfolio*, 7 May 2022, available at: <https://www.portfolio.hu/krtk/20220507/a-magyar-kormany-kina-barat-politikaja-ellenere-is-magyarorszag-a-tajvani-cegek-egyik-legvonzobb-europai-celpontja-542921>, accessed 10 June 2024.

¹⁰³ 'The curious case of Frank Liu with László Kövér', *Index*, 6 February 2020, available at: https://index.hu/gazdasag/2020/02/06/frank_liu_kover_laszlo_tajvan_magyar_nemzeti_bank_templeton_leggazdagabb_magyar/, accessed 10 June 2024.

Appendix D – The comparison of MNB, BEA and OECD data on inward FDI positions from the U.S. in Hungary

Due to the methodological differences in quantifying foreign direct investment (see Appendix A), we compared additional sources with MNB data. During our analysis, we used FDI values published by the Hungarian National Bank, which clearly showed a downward trend in American investments during the observed time frame and was in line with OECD data. However, the BEA’s data implies a steady growth: according to the American calculation, FDI had almost tripled in the country (see Table D1). As explained in Appendix A, MNB and OECD accounting provides a more accurate picture of actual ultimate investors and, therefore, we relied on these two established data sources in this article.

Table D1: Inward U.S. FDI stock in Hungary

	BEA (mill. \$)	MNB (mill. €)	OECD (mill. \$)
2014	5 582	15 441	18 763
2015	7 625	8 067	8 813
2016	7 392	12 078	12 790
2017	6 672	8 611	11 156
2018	5 283	8 755	10 020
2019	11 714	6 974	7 820
2020	13 866	6 484	7 887
2021	14 043	8 463	10 094
2022	14 354	8 847	-