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Sino–Hungarian Relations in the 21st Century

Abstract

Seven years have passed since Hungary had the pleasure to welcome then Premier Wen Jiabao, and to organise the first China–Central and Eastern European Countries Economic and Trade Forum, the foundation of the cooperation between Beijing and its partners in our region, or the 16 + 1 initiative as we know it today. Indeed, relations to China have been high on the political agenda of Hungary in the past few years, as it promised financial liquidity and creation of jobs amid the crisis-ridden economic environment of the European Union. Despite expectations, however, the level of Chinese investment is still relatively low in the country, while Budapest is targeted by the criticism of the EU and some Western European countries. The following paper offers an overview of the recent political and economic developments in Sino–Hungarian relations.

Keywords: China, Hungary, politics, trade and investment

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Introduction

Hungary was among the first post-socialist Central and Eastern European countries to rediscover China as a potentially important international partner, following its successful Euro-Atlantic integration. All the four Hungarian prime ministers have visited Beijing since 2003 and Budapest hosted the first meeting of the Central and Eastern European countries and China in 2011. Budapest enjoys a relatively high attention in Beijing, especially compared to the size of the country. The significant Chinese community, the increasing amount of Chinese investment and bilateral cultural ties, and some early positive political gestures of the Hungarian Government have served as a foundation of the strong political relationship. Hungary has received the largest amount of foreign direct investment (FDI) from China in the Central and Eastern European region for the time being and the country may play an important role in the Belt and Road Initiative through the Budapest–Belgrade railway line. Hungary is one of the most important trade partners of China in Central and Eastern Europe, though international trade is dominated by multinational companies to a high extent. The following paper provides an insight into the major achievements of Sino–Hungarian cooperation and into the impact of the 16 + 1 and Belt and Road (OBOR) projects on bilateral ties.

Methodology

The paper offers an introduction to the development of bilateral political relations, its European context and to the importance of the 16 + 1 and BRI related issues, followed by a brief analysis of investment and trade relations. In both cases, I rely on the most relevant and up to date publicly available data. In the final part of the paper, I analyse the impact of strong bilateral economic relations on politics, and the alleged influence of Beijing over Budapest regarding its EU level China policy. According to certain concerns, China might play CEE member states, like Hungary against the unity of the EU with offering economic benefits in exchange of political favours. In order to evaluate such an accusation, the context and extent of Chinese activity in the CEE region are to be understood, just as the image of China in the Hungarian media discourse, presented in the last chapter.

Bilateral political relations since 1989

The People's Republic of Hungary officially recognised the People's Republic of China on the 4th of October 1949, soon after its proclamation of establishment. During the following decade the relationship developed rapidly, many high-level visits followed the improvement of economic, political and cultural ties. Due to the country's own communist past, the People's Republic of Hungary (and later the Republic of Hungary) obviously supported the Chinese position on Tibet, the One China Policy and the UN Security Council membership from the very beginning of the CPC's rule. However, relations seriously deteriorated during the Sino–Soviet split and China's Cultural Revolution in the 1950s and 1960s. Following the reorientation of the Communist Party of China and the implementation of Deng Xiaoping's Reform and Opening-up Policy in 1978–1979 the two countries gradually re-established bilateral ties. As the Chinese leadership was particularly interested in the Hungarian experiences of the economic reform process of 1968, a series of delegations visited Hungary to analyse the results of the short-lived reforms. Party to party relations were normalised, and high-level delegations were reinitiated in the 1980s. Following the political transformation in Hungary in 1989, bilateral relations suffered another round of depreciation, since Budapest was preoccupied with its Euro-Atlantic integration, while, at the same time, relations to communist countries became less attractive. The era of low-profile contacts lasted for more than a decade, until 2003 when Hungary initiated its rapprochement.²

The new chapter of Sino–Hungarian ties

Following its successful accession to the EU and NATO, Hungary realised the potential of the new emerging powers like China in 2003. Hungarian Prime Minister, Péter Medgyessy visited Beijing in that year, and created a new special envoy position within the Prime Minister's Office for the development of Hungarian–Chinese relations and for the coordination of the China-related work of governmental institutions and the public

² SZUNOMÁR et al. 2014.

administration. As a return to the Prime Minister's visit, President Hu Jintao arrived to Budapest in 2004. Despite its anti-China sentiments during its first term between 1998 and 2002, the second and third (2010–2014 and 2014–2018) Orbán Governments also paid a special attention to China, partly due to the economic and political crisis in the European Union. As Hungary was eager to find new opportunities in its recovery from recession, the so-called Opening to the East Policy was introduced in 2011 as a reaction to the 2008 global economic and financial crisis. It is important to note however, that this policy has never been formulated in a written format of a strategy, still, based on governmental statements, its goal was to boost Hungarian exports to regions out of Europe and to increase the inflow of FDI into the country.

Mr. Orbán decided to establish official party to party relations with the Communist Party of China before the elections in 2009, and then he visited China as a Prime Minister at the end of 2010. His decision to foster strong relations with Beijing surprised most experts, since his previous government was much less friendly towards China; he even met the Dalai Lama in his office in 2000. The visit of Mr. Orbán was returned by Premier Wen Jiabao's visit to Budapest in May 2011, which also meant the first step to create the annual China–CEE summit in the following year in Warsaw.

The Opening to the East Policy

It is not easy to offer a thorough scientific analysis of the Opening to the East, since such a strategy has never been formulated in a form beyond slogans, thus it is impossible to compare initial goals to eventual achievements. Due to the lack of fundamental documents, researchers have to rely on other types of governmental communication, like interviews and public speeches. PM Viktor Orbán stated as early as 2010 that: "We are sailing under a Western flag, though an Eastern wind is blowing in the world economy."³ Consequently, the government implemented measures to boost trade and investment relations with non-European Economic Area

³ The original Hungarian sentence reads as follows: "Nyugati zászló alatt hajózunk, de keleti szél fúj a világgazdaságban" (MAGYARI 2010).

countries. Péter Szijjártó, then State Secretary of the Ministry of Foreign Affairs and Trade announced in 2014: “In order to fulfil the interests of the country, a new type of foreign policy is needed, which is completely determined by foreign trade interests.”⁴

Eventually, sectorial strategies of the government mention some more articulated goals. The Hungarian Growth Plan of the Ministry of National Economy states: “Through the eastern export development Hungarian enterprises may enjoy higher profits, thanks to the growing import needs of dynamically developing economies (China, India, Russia, South Korea). In the case of Asia, the Hungarian export is expected to grow twice as fast in the region as the average, and to reach a share of 10 percent from its current 6 percent by 2015.”⁵

The above-mentioned governmental communications suggest that the government pursued an economy driven Opening to the East policy, following global trends. Sino–Hungarian relations enjoy a privileged position on all major parties’ agenda despite the otherwise rather polarised domestic political arena, none of the parties question the importance of China, and even liberal parties are remarkably silent about human rights or other politically sensitive issues. The second and the third Orbán Administrations have not only continued the efforts of their predecessors but even increased it to forge good political relations with Beijing. All Hungarian governments have been pursuing trade and investment cooperation with China since 2003, and good political relations are understood as an important tool and foundation of economic relations. Increasing and restructuring of bilateral trade together with the decrease of deficit has been a primary goal for a decade. Following the European economic turmoil, Chinese investment has become more important than ever before. Due to clashes between the second Orbán Cabinet and the EU (2010–2014) politics emerged as a remarkable factor, as the potential Chinese support might have provided political capital to the Hungarian Government during its clashes with Brussels, or at least, Mr. Orbán hoped so.

⁴ Hungarian National Assembly 2014.

⁵ Ministry of National Economy 2011.

The 16 + 1 forum and Hungary

After the first China–CEE conference in Budapest in 2011, the institutionalisation of the initiative in Warsaw in 2012 was a clear sign of success. The setup of the Secretariat for China–CEE cooperation meant the next milestone of the development of cooperation in September 2012. The Hungarian Government pays close attention to the 16 + 1 cooperation; it concentrates mostly on the economic spheres of the initiative so as to use the ‘China card’ as a bargaining chip in the EU. However, following the first few years of the 16 + 1 project, enthusiasm is over in Hungary. The government announced several major Chinese infrastructure investments in the country, but none of these have materialised so far. The last hope is the Budapest–Belgrade railway line, which seems to be very important to the Chinese side, since it would be a crucial part of the BRI project and the north–south transport corridor stretching from Piraeus through Central Europe to Western Europe. Agreements were signed at the 3rd China–CEE summit in Belgrade, in December 2014. According to the original plan, the line should have been fully operational by 2017, but due to the delays, 2025 seems to be more plausible. The European Commission initiated an infringement proceeding concerning the Sino–Hungarian agreement, due to some legal concerns, which was eventually concluded without derailing the whole project.⁶

Hungary and the BRI

Hungary plays an important regional role in the building of the Belt and Road project, although ‘OBOR’ or ‘BRI’ itself is a rarely used term in the country. The underlying reason is that Budapest and Beijing cooperate mostly bilaterally or under the framework of the 16 + 1 network of the Central and Eastern European countries and China. BRI would mean a third layer or label, therefore political actors barely mention it at all, while media sources tend to totally forget about it. Still, there are at least two major projects in the country which qualify as BRI related programs.

⁶ SPIKE 2016.

The most obvious one is the reconstruction of the railway line between the Hungarian and the Serbian capitals, Budapest and Belgrade on which China, Hungary and Serbia first agreed back in 2013. A consortium of China Railway Group (CRG), China Railway Corporation (CRC) and the Hungarian State Railways (HSR) has been awarded an EUR 1.5 billion contract to refurbish the 160 km long Hungarian section, while an additional 180 km will be built in Serbia to reach Belgrade.⁷ The new tracks will be able to accommodate trains travelling up to 160 kilometres per hour. When it comes to the financial background, the Chinese side will provide a long-term loan covering 85% of the total budget through China Exim Bank. Unfortunately, the most important details of the contract are not public, but most observers speculate that the interest rate might be around 2.5%, which is not that favourable from a Hungarian point of view, especially since the project serves mostly Chinese interests. The Budapest–Belgrade line would be an important section of the BRI, connecting the port of Piraeus in Greece (managed by China's COSCO shipping company) to Central and Western Europe via Macedonia, Serbia and Hungary. With the help of this upgraded transport corridor, containers from China may find a shorter and faster route towards the heart of Europe, without the need to sail around the entire Europe to the major ports in Western countries. At the same time, the Chinese Government offers the opportunity for its own construction companies to build a reference work within the boundaries of the EU, which helps them to mitigate their overcapacity issues, and creates investment opportunities for Chinese excess capital single-handedly. Meanwhile, the Hungarian side expects some transfer fees as a direct benefit of the projects, however, calculations made by experts argue that the project would pay for itself over 2,400 years, based on current fees and potential maximum transport volume.⁸ Therefore, the project seems to be more important to China than to Hungary, thus one might have expected the Hungarian side to utilise its convenient bargaining position during negotiations. Still, the final agreement seems to benefit the Chinese side. The Chinese construction companies CRG and CRC will be paid for their work, Chinese containers

⁷ Xinhua 2015.

⁸ Portfolio 2015.

will be transported on the new line, and the China Exim Bank will make a decent profit on the loan itself. Meanwhile Hungary will gain some importance in the Central European logistical infrastructure, some Hungarian companies will have the chance to work on the project as subcontractors, and Budapest may receive a higher political esteem in Beijing. Of course, Hungary would gain much more if it had a strategy to attract foreign (Chinese) investors to industrial zones along the railway line in order to build factories, logistical centres, SSCs, eventually, to create jobs. It is also true, however, that so many Hungarians have left the country in the recent years, that labour shortage is a major problem to the country nowadays. Still, such a strategy does not exist, or at least nobody has heard about it.

The second project is a mixture of 16 + 1 and OBOR in the field of tourism. Hungary, as a member of the 16 + 1 cooperation has had the privilege to host the *China–Central and Eastern European Countries’ Tourism Coordination Centre* (TCC) in Budapest since May 2014 based on the Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries.⁹ On 4 March 2016, China National Tourism Administration opened its first office in the CEE region in Budapest, and imminently started an advertisement campaign under the title ‘Beautiful China, Silk Road’.¹⁰ Despite the relevance of the above-mentioned projects, China has not implemented any remarkable strategies to advertise or promote the BRI project in Hungary. The Chinese embassy in Budapest generally keeps a low profile, and even though the ambassadors do mention BRI in speeches or interviews, the general public know very little or nothing about Belt and Road. At the same time, institutions in Beijing have reached out to Hungarian researchers and experts and incorporated them into various BRI networks.

From the point of view of journalists, bilateral, 16 + 1 and EU–China relations provide sufficient topics to the media to be covered, while most policymakers regard BRI as a distant opportunity, potential threats and risks are not discussed in the Hungarian public discourse. Since it is hard to differentiate between BRI and non-BRI related Chinese activities in Hungary, these projects are simply labelled as ‘Chinese’.

⁹ Bucharest Guidelines 2013.

¹⁰ China National Tourism Administration 2016.

Besides the efforts to build the Budapest–Belgrade railway line, Hungary became the first European country to sign a memorandum of understanding (MoU) on joining the BRI with China in June 2015. At the same time, the country missed the opportunity to join the Asian Infrastructure Investment Bank (AIIB) as founding member. However, since the country does not have an official China Strategy, therefore a BRI Strategy is missing as well. To sum it up, Hungary has the chance to be one of the first beneficiaries of a BRI-labelled project, but the government could do more to utilise all potential aspects. Of course, the size of the country and its companies limit its capacity to cooperate with Chinese partners of a much bigger scale, but the formulation of a national China strategy may support efforts to articulate Hungarian interests vis-à-vis China and the BRI project itself.

Meanwhile Chinese companies consider relocating some of their industrial or manufacturing capacities to foreign countries because of rising domestic wages, while the central government aims at economic restructuring and rebalancing its foreign trade relations. Central and Eastern Europe including Hungary is a region which might be able to attract such kind of Chinese investment, and new transportation corridors developed in the framework of BRI may offer a good chance for that. There are threats, however, as EU institutions and certain Western members of the Union have reservations about both the BRI and the 16 + 1 cooperation. As a reaction to Western concerns, Beijing started to advertise “third country cooperation” to offer opportunities to Western companies as well. It is still a major question however, whether the West keeps seeing Chinese construction companies as competitors in CEE countries or finds the way to join them in building new transportation systems in the region. Beijing is willing to provide financial support to construction projects, while EU funds are about to be redistributed from CEE to Southern European countries in the upcoming years.

Economic relations

The following section provides a brief overview of investment and trade relations between China and Hungary, and analyses the political impact of the 16 + 1 cooperation on the China policy of Hungary.

Investment relations

Hungary was one of the forerunners in Central Europe in renewing its relations with China in the early 2000s. The Orbán Government has elevated political relations with Beijing to new heights, and the Opening to the East Policy of Hungary has aimed at forging better trade and investment relations with China since 2010. Despite all the efforts, however, expectations regarding the potential tsunami of Chinese investment have not been met, and the country has not received any new, major Chinese investors in the last seven years.¹¹ Still, the government regards China as an important partner, but political calculations may play a more significant role than economic interests. On the one hand, based on international data sources, Hungary hosts by far the highest amount of Chinese direct investments among the EU member states in the Central and Eastern European (CEE) region. On the other hand, the country has achieved only very modest successes in attracting new investors from China in the last several years. For some observers this might come as a surprise, as the Hungarian Government has made concerted efforts, reoriented its entire foreign policy and offered significant political gestures to Beijing. And yet, it seems that China has found more appealing business opportunities in Poland, the Czech Republic, or in the Balkan countries in the recent years.¹²

The lack of major Chinese direct investment inflows is in sharp contrast with the fact that Budapest enjoys a relatively high political attention in Beijing; the two governments elevated bilateral relations to the level of a comprehensive strategic partnership in May 2017. The large Chinese community, the region's only Chinese–Hungarian bilingual elementary school, the CEE headquarters of the Bank of China, among other factors point to Hungary as a primary destination of Chinese

¹¹ However, as Ágnes Szunomár writes in her publication, some smaller investments have arrived to the country recently: the Miskolc-based starter motor and generator-producer business of Bosch was acquired by a Chinese company, while the CEE Equity Fund, established together by the Hungarian and the Chinese Exim Bank, purchased a private university (Budapest Metropolitan University) and the telecommunications service provider, Invitel (SZUNOMÁR 2018).

¹² MATURA 2017a.

investment, at least in theory. Even though many announcements have been made and many cornerstones have been laid, there are very few tangible achievements, and even those are investments in the range of a few million dollars.

Still, when it comes to the stock of Chinese direct investment, Hungary enjoys a pivotal position in the CEE region, as by the end of 2015, cumulated Chinese investment in Hungary reached USD 3.5 billion, according to announcements by the government. Of course, there is a very high level of uncertainty among the available statistical data. While the Hungarian Government says that the stock of Chinese capital is about USD 4 billion in the country, the Rhodium Group has recorded cumulative transactions of EUR 2 billion since the year 2000. Whatever the actual number is, the inflow of Chinese FDI is highly concentrated – around 75% of the total amount is linked to a single transaction: the acquisition of the chemical company BorsodChem by the Chinese Wanhua Group.

Besides Wanhua, major investors are Huawei, ZTE, Lenovo, Orient Solar, Sevenstar Electronics Co., BYD Electronics, Xanga, Canyi and Comlink. Unfortunately, major industrial greenfield investments are still lagging in Hungary so far, although the country would really need new jobs to be created.

A remarkable set of agreements were signed during the visit of Premier Wen Jiabao in Budapest back in 2011 and of then Vice-Premier Li Keqiang in 2012, when he visited Hungary to witness the signing ceremony of seven bilateral agreements (e.g. a Chinese-built train connection between downtown Budapest and the airport; an agreement on a EUR 1 billion credit line between the China Development Bank and the Hungarian Ministry of National Economy; an agreement on SME cooperation, etc.). Yet, most of these were merely confirmed agreements of the previous year. None of the planned infrastructure development and joint venture investments have been realised since. In the framework of the China–CEE cooperation, new Chinese financial sources were opened for Hungary in 2013, and the Hungarian Exim Bank and its Chinese counterpart concluded an agreement on a EUR 100 million credit line for export financing. A USD 500 million “Chinese Central Eastern European Investment Fund” was also established, with a USD 30 million contribution from the Hungarian side.

Table 1
*Major Chinese investment and infrastructure projects – Successes
 and failures in Hungary*

Company	Sector (Target company)	Mode of investment	Year of first mention or invest- ment	Total value (estimate, EUR million)	Result
Changshu Standard Parts Factory	Screw factory (Ongai Csavargyártó Ltd.)	Acquisition	1997	n.a.	Success
Hisense	Electronics (joint venture with Flextronics)	Joint venture	2004	3	Success but closed in 2010
Huawei	ITC	Greenfield	2005	300	Success
ZTE	ITC	Greenfield	2005	15	Success
Lenovo– Flextronics	ITC	Greenfield	2009	n.a.	Success
Sevenstar	Solar panels (EnergoSolar Ltd.)	Acquisition	2009	n.a.	Success
Wanhua Group	Chemicals (BorsodChem)	Acquisition	2010	1,600	Success
Comlink	ITC	Greenfield	2012	n.a.	Success
BYD	Electric buses	Greenfield	2016	20	Success
China–CEE Fund	Telecommunica- tion (Invitel)	Acquisition	2017	200	Success
BBCA	Citric acid factory	Greenfield	2012	80–200	Still in progress
China Railway Group	Railway reconstruction (Belgrade– Budapest)	Infrastructure investment	2015	1,500	Still in progress
Tianshan Industrial Group	Aviation industry	Joint venture	2016	30	Still in progress
Yanfeng Automotive Interiors	Automotive	Greenfield	2016	25	Success, Hungarian activity due to global merger
RZBC	Citric acid factory	Greenfield	2014	100?	Likely failed

Company	Sector (Target company)	Mode of investment	Year of first mention or invest- ment	Total value (estimate, EUR million)	Result
HNA Group	Airlines (Malév Hungarian Airlines)	Acquisition	2004	n.a.	Failed
Livan Biodegradable Product	Biotechnology	Greenfield	2007	18	Failed
Shanghai Construction Group	Cargo Airport	Greenfield	2009	n.a.	Failed
Orient Solar	Solar panels	Greenfield	2011	n.a.	Failed
Canyi	Lighting technology	Greenfield	2011	30	Failed
China Railway Construction Corporation	Railway construc- tion (airport to downtown)	Infrastructure investment	2012	150	Failed
V0	Railway construc- tion (ring around Budapest)	Infrastructure investment	2013	n.a.	Failed

Source: Compiled by the author based on media releases.

Given the low number of successful projects, any clear strategic-level motivation on the Chinese side remains undiscernible. As Table 1 above suggests, Chinese businesspeople arrived in Hungary almost a decade before Budapest introduced its Opening to the East policy. When it comes to the corporate level, the excellent geographic location, access to EU markets, and the favourable political and investment environment are the most frequently mentioned reasons for Chinese investment in Hungary. It is indeed true that the 16 + 1 cooperation and the role of Hungary in it has drawn further attention to the country in China, but the increased inflow of Chinese political and business delegations has not boiled down to tangible results so far.

Unlike in some Western European countries or the U.S., increased Chinese activity has not triggered any alarm in Hungarian political circles or among the wider public. To the contrary, there seems to be a cross-party agreement on the importance of relations with China, and none of the major political players opposes the opening towards Beijing. This is partly due to the relatively positive image that many Hungarians hold of the Chinese

people, thus making it hard for any party to gain domestic political support through China-bashing. Hence, Prime Minister Orbán has mentioned China several times as a good example of a successful ‘labour based society’, and as an alternative to Western economies ‘based on speculation’. Meanwhile, the lack of major Chinese investment in recent years obviously decreased public attention on the matter, and therefore security or political concerns have never been raised.¹³

At the level of strategy, Hungary holds great hope in the potential for Chinese investment, despite the relatively low level of concrete results. Even though the Opening to the East policy has never been slated into a proper and sophisticated strategy, based on government communications, it is clear that the main objective of government efforts is to attract money and investment from China to Hungary. Others regard it as a mere political brand invented by the MFA to gain political support. Budapest was so eager to cosy up to Beijing in the recent years that the government offered important political favours to China, even against the will of the European Union. This caught the attention of many international observers when the Hungarian MFA repeated Chinese statements on the South China Sea issue in 2016, or when the Prime Minister signed the joint communique on the *Belt and Road Initiative* in May 2017, despite the objection of the EU and its major member states. Furthermore, a recent article by the *Handelsblatt* on a report prepared by EU ambassadors that sharply criticises China’s BRI (Belt and Road Initiative) project stated that only Hungary’s ambassador refused to sign the report.¹⁴ No wonder, more and more experts raise the question: will the significant amount of Hungarian international political capital invested in China ever pay-off for the economy, or does the government regard China primarily as a political ally rather than an economic one? Political opponents of the ruling party argue that government efforts to get closer to Beijing (and Moscow) are part of a game against Brussels, and economic interests play only a minor role in this story. No matter what the intentions of the Hungarian side are, the example has been set, and countries across Central and Eastern Europe, including the Czech Republic, Poland and Slovakia, are all looking to forge closer ties with Beijing.

¹³ MATURA 2017a.

¹⁴ HEIDE et al. 2018.

Trade relations

When it comes to Sino–Hungarian trade, the Opening to the East Policy has brought some fruits, although it has to be noted that decreasing European consumption might have played a significant role in the growth of the relative importance of trade with China. However, as the EU is recovering, Hungarian foreign trade returns to its traditional partners on the continent. China is one of the main targets of the Opening to East Policy, and according to the data of the Hungarian Central Statistical Office, import from the PRC has risen by 19%, while export has gone through a remarkable 47% increase (in USD terms) between 2012 and 2017, despite the significant 17% fall of exports in 2015. Still, exports to China represented only 2.35% of all Hungarian export in 2017.¹⁵ Though the Hungarian Government would be pleased to see the trade deficit diminish, in reality most of the Chinese goods imported to Hungary are parts and accessories of other, high value-added products assembled in Hungary and re-exported to Western Europe. Thus, a significant decrease of Hungarian imports from China usually means the setback of the domestic economy. The close connection between Hungarian–Chinese trade and the general performance of the domestic economy becomes even clearer when the role of multinational companies is considered. MNCs represented 93.6% of the total Hungarian exports to China according to a non-public dataset of the Hungarian Central Statistical Office, while the share of domestically owned enterprises was a modest 6.4% in 2013. Most Hungarian small and medium sized enterprises need more support from the government to achieve a better performance in China. Companies working in the fields of agriculture and food industry have been the forerunners, as more and more Hungarian processed food finds its market in China thanks to newly granted permissions of Beijing.¹⁶

However, the imbalance and structure of imports and exports will remain a challenging factor in the near future. Even though a significant amount of Hungarian imports from China means an important input for the domestic industry, it is of utmost importance to provide better opportunities to Hungarian owned companies. Obviously, it is impossible to achieve balanced merchandise trade relations, but Hungary might be able to boost

¹⁵ The author's own calculations based on the data of the Hungarian Central Statistical Office.

¹⁶ MATURA 2017b.

its performance in certain sectors, particularly in the fields of tourism. Since Hungary was appointed to become the centre of China–CEE tourism relations at the Bucharest Summit, Budapest has a unique opportunity to attract significantly more Chinese tourists to the country.

To sum it up, China is the most important non-EU trade partner of Hungary, and bilateral trade relations have experienced a steady growth in the recent year. However, compared to other EU members, Sino–Hungarian trade is lagging behind both in terms of relative growth and relative importance. Major member states like Germany, France and the United Kingdom have developed stronger trade ties to China in a more dynamic way.

The image of China in Hungary

Thanks to the project ChinfluenCE, we had the chance to analyse almost 4,000 Hungarian media outputs, published between 2010 and June 2017 of selected 15 media sources which were most widely read, listened to or followed and had a nationwide coverage. The Hungarian media coverage on China has been very pragmatic, or valueless in the past seven years. Most of the articles analysed focused on the general economic situation of China, its role in world politics and economics and the development of Hungarian–Chinese relations. At the same time, topics like human rights, Tibet, the Dalai Lama or the protection of intellectual property rights have been barely mentioned. As a part of ChinfluenCE, a word cloud of the most frequently covered topics has been made to visualise the different approaches of the Czech, Hungarian and Slovak media. In case of Hungary, topics like the ‘Chinese economy’, ‘China and the World’ and ‘Hungarian economic relations with China’ were by far the most important ones (over 1,500, 1,100 and 700 articles respectively). Meanwhile issues like ‘censorship’, ‘Tibet’, or ‘Uighurs’ had an almost zero impact (less than 200, 100 and 50 articles respectively).¹⁷

One of the first findings is that the number of articles on China has been generally stable in the analysed period; however, two significant phases may be recognised based on the number of publications. The first phase lasted from 2010 with a constant increase of attention and peaked

¹⁷ For further details see KARÁSKOVÁ et al. 2018.

in 2013 (the year of the NPC's meeting), while during the next phase (since 2013) there has been a gradual decline in the number of articles on China. The rise and fall of publications may be explained first by exaggerated hopes regarding the expected inflow of Chinese investment to Hungary, and later by the confrontation with reality, that almost nothing of the hopes had been realised.

When it comes to the most influential sources on China, it is to be mentioned that more than half of the articles were published by the small group of online news services, including *hvg.hu* which published almost one third of all the articles alone, while *index.hu* and *origo.hu* released a further 14 and 11% of the news respectively. Nevertheless, digging deeper in the data, the picture gets a bit more complicated, as the real source of at least 52% of all news was the official Hungarian news agency (MTI) and not individual media companies, thus the share of articles produced by other media outlets themselves was less than half of the total. No surprise that this fact has had an impact on the generally neutral image of China in the Hungarian media, as 87% of the news based on the MTI as a source were neutral. Including all sources, it seems that 4.8% of the news was positive, 9.4% negative and 85.8% neutral between 2010 and 2017. When excluding all news based on the MTI, the picture gets slightly different: 3.7% of the articles produced by media sources themselves was positive, while 12% was negative.

As it has been mentioned before, when individual media sources are considered, domestic political division lines and their impact on the image of China itself become obvious. Media sources believed to be close to the government (Hungarian national television and radio channels, TV2, *origo.hu*) publish significantly more positive and good news about China, while media sources on the opposition side (*Magyar Nemzet* daily, *index.hu*, *HVG*, *hvg.hu*, *RTL Klub*) published many more negative or bad news than positive ones. Still, neutral news dominated their activities. The share of negative news (thus the polarity of the discourse on China) had been constantly increasing between 2010 and 2017. Negative news made up 6% and positive news 5% of all articles in 2010, while, the share of negative news rose to 15% against 5% of good news in 2017. The year of 2013 seems to be the turning point, not only in terms of absolute numbers of articles, but in terms of sentiment as well, since there were 4% positive and 3% negative news in 2012, and as high as 12% of all news on China were negative and 5% positive in 2013. In short, the Hungarian media

discourse on China is mostly one dimensional, focuses overwhelmingly on economic data and the development of bilateral relations. At the same time, it is strongly politicised, as the assessment of Hungarian–Chinese relations in the media is strongly influenced by the political attitude of the given media source towards the government. Consequently, a productive and useful discourse on China and on bilateral relations has never evolved in Hungary. It is also noteworthy that the Hungarian media discourse is mostly materialist, focuses merely on economics and potential financial opportunities and risks, while topics like political values, human rights, minorities or democracy are almost completely missing from the agenda.¹⁸

Conclusions

Beijing is considered an important partner to Hungary, China is the most important trade partner of Hungary outside the European Union, imported goods provide an important source of input for the domestic economy, while the rise of exports offers opportunities both to multinational companies with a production site in Hungary and for domestic small and medium sized enterprises. There might be a huge untapped potential in the service sector, first of all in the field of tourism. Investment relations are strong, though new major Chinese investors have not arrived in the recent years. Beijing is mostly interested in infrastructure and public procurement projects, while the Hungarian side is eager to attract investments, which create new jobs and manufacturing.

It would be important to improve the extent and quality of the discourse on China in Hungary, the general awareness of the public and politicians should be increased. Though one part of the media and a handful of journalists have been doing their best to write in-depth articles on China and Chinese–Hungarian relations, the overwhelming majority of articles is still based on simplistic news. A more nuanced approach would be desirable, i.e. to separate assessments of Hungarian China policies from the assessment of China itself, thus bashing the government would not necessarily mean bashing Beijing at the same time.

For the upcoming years, Hungary should formulate a sound China strategy, to reap the benefits of the particularly advantageous situation

¹⁸ KARÁSKOVÁ et al. 2018.

of the country, as it is located at the crossroads of EU–China, 16 + 1 and BRI relations. A more proactive and strategic approach of the Hungarian Government may contribute to the further success of bilateral relations.

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