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The Puppet Pulls the Strings: Hungary, Orchestration and the Rewriting of Small State Agency

Study on the role of Hungary as China's most important investment partner in Central and Eastern Europe

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Department of Public Policy

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Abstract

This thesis investigates the political and strategic motivations behind Hungary's emergence as the foremost recipient of Chinese Foreign Direct Investment (FDI) in Central and Eastern Europe (CEE). Although Chinese FDI flows are frequently interpreted through lenses of economic determinism or as extensions of Beijing's statecraft, this study offers a distinct interpretive approach. Hungary, a small country with deeply embedded economic and institutional linkages to the West, reshaped the landscape of Chinese investment in Europe. The central research question is: "*What explains Hungary's status as China's primary investment destination in Central and Eastern Europe?*". While most studies evaluate Chinese economic statecraft in engaging with CEE countries, few focus on recipient states' strategic outreach and agency. Rather than viewing Hungary as a passive target of Chinese investment, this thesis contends that Hungary has actively repositioned itself as a "reverse orchestrator." Through diplomatic signalling and economic incentives, Hungary appeals to Chinese capital while leveraging its EU membership to amplify domestic and foreign policy goals. The research uses the qualitative method of data triangulation, incorporating interviews, public speeches, and academic sources. This thesis contributes to debates on small state agency in the evolving landscape of great power competition, shaped by economic policy choices and alignment with overlapping interests.

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List of Abbreviations

Big-3: France, Germany, and the UK

BRI: Belt and Road Initiative

BYD: Build Your Dreams

CATL: Contemporary Amperex Technology CO., Limited

CEE: Central Eastern Europe

EOP: Eastern Opening Policy

ETCS: European Train Control System

EU: European Union

EV: Electronic Vehicle

FDI: Foreign Direct Investment

FIDESZ: Alliance of Young Democrats

GDP: Gross Domestic Product

GVCs: Global Value Chains

GWM: Great Wall Motors

IGOs: International organizations

IMF: International Monetary Fund

M&A: Mergers and Acquisitions

MOFCOM: Ministry of Commerce

MoU: Memorandum of Understanding

NATO: North Atlantic Treaty Organisation

P-A Framework: Principal Agent Framework

SMEs: Small and Medium Enterprises

PRC: People's Republic of China

SOEs: State-Owned Enterprise

US: United States of America

V4: The Visegrád Four countries (Czechia, Hungary, Poland, and Slovakia)

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Introduction

Between 1978 and 2008, the Chinese economy expanded at an average annual rate of 10 per cent, marking one of the most sustained periods of economic growth (World Bank, 2024). It became one of the top trading nations, and today, it exercises considerable influence over global issues like climate change, the future of worldwide governance and global standards. Over the past two decades, countries increasingly sought deeper engagement with China as a provider of trade, infrastructure, and finance. Within this global context, CEE has historically occupied a marginal place in Chinese foreign policy. The region lacked strategic weight in Chinese calculation, as its total population is roughly equivalent to that of an individual Chinese province, and its aggregate GDP constitutes only a minor fraction of China's total economic output**.** Yet, in recent years, Beijing has deepened its presence in the region, largely due to the dual appeal of EU membership and the perceived economic opportunities of post-socialist states.

Against this backdrop, Hungary has emerged as the primary recipient of FDI in the CEE and, in recent years, throughout the entire European continent. This empirical fact constitutes the central puzzle that motivates this thesis: "What explains Hungary's status as China's primary investment destination in Central and Eastern Europe?". The answer is neither obvious nor reducible to structural conditions. Other countries in the region have similar levels of economic development and enjoy similar access to the EU market. Yet no other state in the region has pursued such a proactive and assertive alignment with Beijing's strategic economic agenda, nor has any attracted comparable magnitude of Chinese investment in return (Kratz et.al 2024). This thesis contends that Hungary's exceptional standing as a key recipient of Chinese investment in the region cannot be understood without its early historical alignment with Beijing and sustained, strategic participation in Beijing-driven initiatives.

Under Viktor Orbán, the Hungarian government has not merely welcomed Chinese capital but has actively cultivated it by strategically embedding it within a broader FDI-led economic strategy and positioning Hungary as China's gateway to the EU. This study critically engages with theories of agency from a critical realist approach and orchestration, contending that Hungary is not simply being orchestrated but rather actively reconfigures Chinese economic statecraft to advance its own domestic political objectives and developmental priorities.

1.1 Method Section

This dissertation aims to explain Hungary's emergence as China's primary investment destination in CEE by exploring the strategic behaviour of the Hungarian state in attracting and embedding Chinese foreign direct investment. It further explores how Hungary has actively leveraged this engagement as part of a broader development strategy while actively leveraging this engagement for domestic political objectives and its geopolitical positioning. The research is grounded in the Qualitative research strategy of Triangulation. As defined by Patton, Triangulation entails the integration of multiple methods or data sources to develop a comprehensive understanding of the phenomena (Patton,1999, pp.1192-1198). Using a variety of methods helps ensure the validity of this research by drawing on different samples and data collection techniques and by compensating for the lack of sources, which was obtainable for me. Denzin broadened the theoretical scope of Triangulation, categorizing it into four distinct types (Denzin,1970). One of these is Data Triangulation, which this study employs to inspect data sources through varied sampling protocols and by comparing information collected at different times and settings (Denzin, 2007, pp.2-3).

The research draws on three main types of sources. First, semi-structured interviews were conducted with two academics, one policy expert, one journalist and one former politician with direct knowledge of Hungary-China foreign policy and investment relations. These interviews provided critical insights into how strategic alignment with Beijing is conceptualized and implemented at the national level, for better or worse. The interviews were intentionally conducted with individuals actively engaged in the field of China–Hungary relations, whose professional experience and insight were expected to provide the most accurate and grounded understanding of the current situation. Second, the research examines public speeches, press releases, and official statements made by Hungarian and Chinese government actors. These documents offer insight into how investment relationships are discursively constructed by both parties and how strategic narratives are projected at the international and domestic levels. Finally, the analysis critically reviews existing academic and policy literature, including journal articles, think tank publications, and relevant online analyses. These materials supplied me with the conceptual framework and empirical foundation to situate the Hungarian case within the broader dynamics of Chinese outbound investment and its evolving importance in its EU–China relations.

2. Literature Review

The primary impetus for conducting this research is to attain a deeper understanding of the factors underpinning Hungary's ascent as China's principal investment hub within CEE. Once considered a marginal actor in China's European economic engagement, the investment landscape of 2022-2023 reveals that Hungary has become the leading recipient of Chinese FDI on the European continent, completely surpassing its neighbouring countries. To interrogate this development, the present study applies a two-level theoretical framework to reach its research goals. First, I will review Orchestration theory and its application to Chinese economic statecraft, as developed by James Reilly. The last element focuses on my critique of it, stating that Reilly's theory lacks accounting for the agency of the target country, specifically its capacity to actively repurpose it in pursuit of its own strategic objectives. According to critical realist thinking, the agency of states serves as the second layer of the theoretical framework for understanding the calculated engagement of the recipient country.

2.1 Orchestration, China–CEE Relations, and the Small State Debate

Many international organizations (IGOs) articulate ambitious governance objectives. These institutions are formally mandated to tackle a spectrum of global challenges, including the mitigation of violence, the promotion of economic development, and the protection of human rights, to name a few. Yet their practical capacity to implement or enforce agendas remains constrained (OECD, 2021, p.53). To address this problem, IGOs and states bring in intermediaries to increase efficiency and legitimacy. A considerable amount of states delegate their health and safety regulations through professional associations, and public services in sectors such as utilities and education are often outsourced to private contractors, while foreign policy objectives are increasingly pursued via international organisations such as the European Union or NATO (Abbot et al. 2015 p.1).

This delegation process has been extensively examined through the principal–Agent (PA) framework, which international relations scholars have widely employed to analyze the dynamics between delegating authorities and their intermediaries. At its core, the PA framework conceptualizes delegation as "a conditional grant of authority from a principal to an agent that empowers the latter to act on behalf of the former" (Hawkins et al., 2006, p. 7), whereby the principal retains hierarchical control and contractual authority over the agent. It presupposes that the principal possesses the authority to empower, monitor, and sanction the agent — thus exercising hard control over the intermediary's actions (Abbot, et al. 2015, p.3). In many cases, however, the delegating actor lacks the coercive or legal capacity to enforce control or demand compliance from intermediaries.

To capture more diffuse and voluntary forms of governance, Abbott, Genschel, Snidal, and Zangl developed Orchestration theory. Orchestration is defined as a mode of governance in which an orchestrator, typically an international organization or dominant state, seeks to achieve its objective by enlisting and supporting intermediary actors, who in turn influence the intended targets (Abbott et al. 2012, pp.2-4). This form of governance is both indirect, as the orchestrator does not exert direct influence over the target, and soft, as it operates through voluntary cooperation rather than coercion or binding legal authority. The logic of orchestration is formalized in the O-I-T triad: the Orchestrator works through Intermediaries to affect Targets. Intermediaries are not subordinated agents but rather autonomous actors who demonstrate a degree of congruence with the orchestrator's goals (ibid.). These intermediaries of NGOs, private actors, or allied states possess the expertise to change target entities behaviour. In contrast to formal delegation, orchestration is effective as it is able to mobilize existing capacities rather than constructing new hierarchical institutions.

The orchestrator backs these intermediaries through a range of ideational and material tools. These can include robust funding, access to technical expertise or normative endorsement of their public legitimacy. One example could be the EU, which orchestrated transnational regulatory networks such as BEREC to harmonize telecommunications rules across its members without directly enacting binding rules or mandates (Blauberger & Rittberger, 2015, pp.367-374). This capacity to govern indirectly makes orchestration particularly attractive in politically sensitive domains such as foreign investment or ideological alignment, where coercive mechanisms are either unavailable or counterproductive. However, orchestration is not without limitations, as it can face capability deficit problems (Abbot et al. 2015, pp.5-6). The orchestrator must select intermediaries that are motivationally aligned with its goals, yet their compatible motivations do not guarantee adequate success in the long term. Increasing intermediary capacity can undermine its loyalty, as it happened with several European banks. Following the creation of the EU Single Market, many national governments supported the consolidation and expansion of domestic banks. As banks like Unicredit and Erste gained power, they became less dependent on national support and lobbied for supranational regulation, shifting their alignment from their original orchestrators (Epstien, 2014, pp.12-14). Orchestration provides a conceptual bridge between structure and strategy, revealing how actors can reshape the global order without overt domination. When we are looking for Chinese economic statecraft, orchestration has proved especially useful for explaining how Beijing can mobilize domestic actors to extend its geopolitical reach. This point is taken in the next section through the work of James Reilly.

To understand China's rise as a global investor and its entrance into the CEE, James Reilly has offered an extension of orchestration theory as a framework for understanding the mechanisms of Chinese foreign economic policy. Confronted with the challenge of balancing centralized Party control with the need for adaptable, cost-effective foreign engagement, Chinese policymakers responded by developing orchestration as a tool of economic statecraft. Reilly argues that this model allows the Chinese state to mobilize a wide array of domestic actors to pursue international policy goals while maintaining strategic oversight (Reilly,2021, p.14)

Reilly identifies three interlocking components of China's orchestration approach. First is nested orchestration, wherein top-level political elites such as the Politburo Standing Committee design and frame core initiatives but operationalizes them through ministerial and bureaucratic institutions such as the Ministry of Commerce (MOFCOM) (ibid, pp.39-40). These entities, in turn, mobilize the provincial actors, SOEs, and financial institutions to act on Beijing's behalf, coordinating outbound investments and commercial diplomacy (ibid.pp.38-42). The second mechanism is the use of tournament-style mobilization, where instead of issuing detailed commands, Beijing encourages competition among domestic actors to secure external initiatives and "go out". Initiatives like the Belt and Road Initiative (BRI) are the largest manifestation of this umbrella, where domestic actors developed or rebranded new infrastructure projects outside of China while the CCP simultaneously stimulated activity abroad. They are able to attract eager participation without extensive oversight or coordination. SOEs, financial institutions, and provincial authorities are incentivized through institutional rewards for successfully implementing specific project schemes that align with the overarching policy parameters defined by central authorities (Xin, Bao and Hu,2019, pp.177-179). The last pillar is interest alignment, where Beijing designs certain types of economic statecraft and goals of these initiatives to align with the priorities of implementing actors. In doing so, the state effectively lowers the "inducement price" of governance, facilitating the pursuit of multiple policy objectives, ranging from diplomatic influence and industrial upgrading to employment stability—while simultaneously containing both fiscal exposure and reputational risk.

This framework has been visible in China's engagement with CEE since the launch of the 16+1 platform in 2012. Beijing replicated its tactics from Southeast Asia and Africa by establishing a new regional grouping and channelling new investment into the regional infrastructure, thereby generating diplomatic dividends for China. China maintained elements of nested orchestration through MOFCOM and policy banks. However, its CEE approach relied heavily on encouraging regional authorities to expand their ties with CEE countries. A notable aspect of this was Beijing's encouragement of regional governments, SOEs, and city-level authorities to develop ties with CEE counterparts, reflecting China's internal "twinning" model (China Development Brief, 2018).

Major projects of railways and energy infrastructure were financed through loans tied to Chinese firms, keeping capital flows largely domestic while shifting repayment obligations to host states. China's orchestration of Hungary represents one of its most successful cases in the CEE region. In tournament style, both foreign policy and economic agencies were mobilized to support this influence attempt. The Budapest–Belgrade railway, co-financed by the Export-Import Bank of China, emerged as a flagship example of this strategic approach, conceived as a pivotal segment of the broader "China–Europe Land-Sea Express Line" (Belt & Road Portal, 2025). Moreover, The People's Bank of China signed a 10-billion-yuan swap agreement with the National Bank of Hungary in 2013, while the Bank of China opened the region's first RMB clearing centre in Budapest (People's Bank of China, 2013). China also successfully orchestrated cultural and symbolic partnerships. Hungary became host to four Confucius Institutes, launched the China–CEEC Tourism Coordination Centre in Budapest, and received a dramatic increase in Chinese tourism and agro-food trade permissions.

In the case of Hungary, Reilly interprets China's success as a product of effective mobilization and interest alignment that led to the diplomatic support for Beijing within the EU, particularly its opposition to joint statements on the South China Sea and its promotion of deeper EU–China investment ties (Xinhua News Agency, 2017). This view, however, assumes that Hungary's role is largely reactive and that it functions as a cooperative target state that acts in accordance with Beijing's broader foreign policy goal. This thesis challenges that view by foregrounding Hungary's agency. Hungary, I argue, is not merely being orchestrated but is strategically leveraging China in pursuit of its own goals. Under the Orbán government, Hungary has actively positioned itself as a connector country, one that utilizes its EU membership and political stability to provide China material access to the EU market while simultaneously extracting political, economic, and diplomatic gains on its own terms. By embracing Chinese investment, Hungary attracted strategic infrastructure and financial flows but also used these ties to signal defiance toward EU-level conditionality and to rebalance its geopolitical orientation. Rather than being passively drawn into Beijing's orbit, Hungary is co-constructing the partnership, tactically navigating asymmetry and reshaping the very orchestration dynamic.

2.2 Agency and the Agent-Structure Problematique

This section investigates Colin Wight's critical realist account of agency, which provides a more ontologically grounded framework for explaining how structurally situated actors like Hungary exert reflexive and context-specific influence.

The agent- structure problematiqe, as Wight writes, is a foundational concern in both IR theory and broader social thought. It poses the fundamental question: How can we theorize the relationship between agents (individuals or states) and the structures (institutions, norms, material systems) that appear to constrain or enable them? Most theoretical traditions in IR fall into one of two flawed extremes. In structural determinism, structures such as the international system or global capitalism are reified and granted overwhelming causal primacy as in Althusserian Marxism. Meanwhile, in methodological individualism, agents are assumed to act autonomously, with structures reduced to mere context or background (Wight, 1999, pp.110-124). Wight critiques both approaches, drawing on critical realism, especially the philosophy of Roy Bhaskar. He proposes that agents and structures are emergent and relational rather than ontologically discrete. The agency is not simply the freedom to choose, nor is it fully determined by context. Rather, it is a causally efficacious capacity exercised by reflexive and situated actors within historically layered environments (ibid.pp.125- 132).

Wight proposes a tripartite model of agency that offers a framework for analyzing political behaviour. By applying this conception, we can understand Hungary's active role in navigating and reshaping its asymmetric relationship with China. **Agency^1** refers to the basic human capacities such as reflexivity, intentionality, and the ability to make choices. This is evident in the deliberate strategic choices made by key political elites, most notably Prime Minister Viktor Orbán and Foreign Minister Péter Szijjártó. Their formulation and promotion of the "Eastern Opening Policy" illustrates not only goal-directed action but also a reflexive reassessment of Hungary's place as an important periphery at the China-EU level. **Agency^2** captures how actors are embedded within—and make use of—the structural and ideational environments in which they operate. In Hungary's case, its EU membership, combined with increasing illiberal tendencies and ideological alignment with alternative modernities, constituted a unique positionality. Rather than being passively constrained by Western liberal norms, Hungary leveraged its institutional placement within the EU to act as a bridge, both a compliant insider and an increasing dissenter, thus making its openness to China a form of structural opportunism. **Agency^3**, finally, refers to the performative enactment of roles in socially situated contexts. Hungary's symbolic performances on the international stage, being the first EU country to sign the BRI and attracting flagship Chinese investments, exemplify how state actors assert agency through role-playing and public diplomacy.

In this dimension, Hungary operates not merely as a recipient of external orchestration but as a collaborator of its strategic narrative, shaping how both Brussels and Beijing perceive it. Together, these three levels of agency show that Hungary is not simply reacting to structural pressures but engaging in a reflexive, relational, and materially grounded project of geopolitical self-definition.

3. Analysis

3.1 From Ideological Foundations to Pragmatic Partnership: The Evolution of Sino–Hungarian Relations

Hungary's bilateral relations with China represent one of the most unique cases within the European Union. The country's early support for Beijing stands out in CEE, prompting an inquiry into the historical roots and pragmatic recalibrations underpinning this alignment. Tracing the historical shifts in Sino-Hungarian relations, we can see how economic pragmatism reoriented foreign policy, even before Fidesz's era, and continued until the beginning of the 21st century.

As with most of the CEE countries, Hungary officially recognized the People's Republic of China in October 1949 (Embassy of Hungary Beijing, 2025). Relations, however, were disrupted during the Sino-Soviet split and the Cultural Revolution. In the 1980s, a gradual recalibration happened as Hungary, for a period, introduced visa-free entry for Chinese nationals, resulting in the growth of a sizeable Chinese diaspora. By the late 1990s, approximately 40,000 Chinese resided in Hungary (Tóth, 2007). However, Hungary's democratic transition in 1989 cooled relations again as foreign policy shifted toward Euro-Atlantic integration and away from China. It was only in the early 2000s, with Hungary's EU accession complete, that policymakers started to engage with the fastest emerging power again. "It's important to understand that the opening toward China really began under Péter Medgyessy, and he's still involved in maintaining those relationships to this day" (Mészáros, T, interview, 8 May 2025). The then Prime Minister Péter Medgyessy's 2003 Beijing visit marked a turning point. Chinese President Hu Jintao's 2004 visit formalized a "friendly cooperative partnership," reviving bilateral ties after a decade of limited engagement.

Economic considerations related to trade and investment prompted Hungary's active engagement, as the government sought to diversify its partnerships and signal a willingness to engage with non-Western powers. Trade between Hungary and China indeed increased from the early 2000s onwards relatively fast, from a very low base. The government undertook a series of confidence-building measures and symbolic gestures directed towards China, culminating in the creation of a special envoy for China relations. As a result, The Bank of China opened its first Budapest branch in 2002, and the first Sino-Hungarian Bilingual Primary School opened its gates in 2004. China saw the EU membership as a way to avoid trade barriers and provide an assembly base and access point to the EU however, in this period, just a few Chinese projects were realized in Hungary. As Fidesz prepared to assume office in 2010, questions are about whether it will continue this friendly trajectory. Notably, the party had protested against Beijing on the issue of Tibet and Tiananmen Square while in opposition, and they largely overlooked the country during Viktor Orbán's first government of 1998–2002 (Lehoczki,2021).

3.2. Structural Shocks and Opening East Policy

It's important to note that Hungary's post-1989 development strategy primarily centred on attracting FDI. While this approach delivered growth and integration into European markets, it also created systemic dependencies. According to a study by the Hungarian National Bank (MNB), between 1991 and 1997, approximately €4.6 billion worth of investment was channelled into the country via privatization frameworks (Veres, 2018, p.3). A well-known Hungarian proverb captures the country's economic dependence: "If Germany sneezes, Hungary catches a cold.". More than 60 per cent of Hungary's exports were destined for other EU member states, with Germany alone comprising a substantial portion of this trade (Moldicz, Novak, 2017, p.4). The global financial crisis of 2008-2009 and the European sovereign debt crisis of 2011 crisis together revealed the deep structural vulnerabilities of Hungary's economic model.

During the global financial crisis, Hungary's economy experienced a significant downturn. In 2009, the country's GDP contracted by 6.7%, marking one of the most severe economic declines in its history (IMF,2009, p.7). It revealed Hungary's peripheral position within global value chains (GVCs), where local firms were often relegated to low-value segments with minimal opportunities for upgrading their efficiency and competitiveness (Éltető et al., 2024, p.16). In response to the crisis, Hungary secured a $25.1 billion rescue package from the International Monetary Fund (IMF) and the European Union (EU) in October 2008 to stabilize its financial system. "I think 2008 and its consequences, the extremely severe unemployment rates and other economic impacts, really highlighted that the previously pursued, heavily Euro-Atlantic, Western integrationist policy had worked up to its ceiling, which brought the Fidesz government in 2010—completely transforming the institutional structures (Buzna V, interview, 16 May 2025).

The cornerstone of the new strategy was the Eastern Opening Policy (EOP), which Orbán announced in a speech in 2010: "We sail under a Western flag, but an Eastern wind blows through the world economy" (Orbán,2010). The EOP was initially conceived in conjunction with the notion of 'Western keeping,' which signalled that the shift in policy emphasis would remain compatible with Hungary's embeddedness in Euro-Atlantic institutions. Here, **Agency**[1] is observable. The EOP represented an agency-driven recalibration of its foreign economic strategy in response to structural vulnerabilities exposed by the global financial crisis. The policy recognized East Asia as a major global productivity catalyst and a pivotal yet underexploited source of capital inflows for Hungary. The government wanted to diversify the Hungarian export-import structure to reduce dependence on Western Europe and attract FDI from China, India, and other major Asian economies to promote sustained economic growth and technological advancement (Völgyi, Lukács,2021, pp.173-179). The government also established the Hungarian Investment Promotion Agency (HIPA) to assist foreign investors in navigating Hungary's regulatory environment.

It is known objectives were to double Hungary's export volume to EUR 3 billion by 2020, with a particular focus on increasing the share of small and medium enterprises (SMEs), and to raise both inward and outward FDI to EUR 30 billion (Éltető et al., 2024, p.17). In 2015, the MNB initiated the development of a Chinese currency portfolio, motivated by China's rising global economic influence and the increasing internationalization of the renminbi (Magyar Nemzeti Bank, 2015). The Budapest Renminbi Initiative Conference, launched in 2015, has served as a key platform for deepening financial cooperation between the two nations. This commitment was further underscored by Hungary's issuance of panda bonds, debuting 1 billion yuan bonds in 2017 and later expanding into green panda bonds, focusing on environmental projects.

"I think we can state that this Eastern Opening policy didn't really have a breakthrough impact in terms of intended diversification. What is certain, however, is that it did stimulate, or at least attract, the interest of Eastern countries in a small EU member state. We drew a bit more attention to ourselves. And this particularly mattered for countries like China, which, in this period, was already showing increased interest in European destinations, and in that sense, this policy did catch their attention" (Szunomár, Á,13 May 2025).

3.3 Ideational Flexibility and the 16+1: Strategic Reorientation towards Non-Western Partners

Hungary's trajectory toward deeper cooperation with China, I argue, must be situated within a broader context of strategic recalibration, where domestic political and ideological shifts intersected with the structural opportunities presented by the evolving global order in the region. In 2010, Orbán declared that the Western world was in crisis, while China and India's economic growth was upward. "We get news that the euro is crackling and crumbling…. it is worth remembering that it is Western-style capitalism that has been in crisis for the last 10 years… other areas than Europe have risen with tremendous speed because they have held on to certain values" (Orbán, 2010). From the start of his second term, it's the prime minister's personal conviction that the West's civilizational and economic dominance is waning. Thus, Hungary must balance its deepening engagement with China and its longstanding commitment to EU allies and the US (Gizińska,Uznańska 2024, p.2).

Orbán talked about the illiberal state as an objective that should be built on Hungary, citing China as a successful manifestation of this state-capitalist model. According to Csillag and Szelényi, the Orban government's illiberalism is reliant on the neoconservative ideology to appropriate its grip on state resources and power (Csillag, Szelenyi, 2015, p.25). Mészáros noted that the Orbán system genuinely believes that China's rise is a model worth emulating, and this is reflected in the tight leadership of the government: "Pro-Atlantic, Western-oriented figures have gradually disappeared from government circles, and today decision-makers are ideologically closer to Eastern-style authoritarian capitalism" (Mészáros, T, interview, 8 May 2025).

Here, **Agency²** becomes evident. Hungary's EU membership, combined with its turn toward illiberal governance and identification with alternative modernities, constituted a unique positionality. Hungary has been the most vocal supporter of Beijing and has been one of the few countries that was ready to use its veto to block numerous EU proposals that condemned human rights abuses and South China Sea-related activities (Reuters, 2016). Hungary's ambassador to the EU was alone in not signing a report criticizing China's BRI for benefiting Chinese companies and Chinese interests, and at the end of 2019, at the height of the Huawei scandal, the government announced that Huawei is building a 5G network in Hungary.

Hungary pursued a comprehensive strategy to establish itself as China's gateway to the EU among the CEE countries. One of China's statecraft initiatives in the wake of Europe's financial crisis was the 16+1 initiative, which was strongly connected to the BRI, providing new investment for regional infrastructure and diplomatic benefits for the CEE region. While most of the nations were enthusiastic about the potential, many members started to withdraw from it. Lithuania departed the scheme in 2021 following a dispute over its relations with Taipei, leading to the exit of the other two Baltic states (Jerzewski,2022, pp.1-3). Other EU countries started to distance themselves as well due to the Covid-19 outbreak and the Russian invasion of Ukraine, where China's ambiguous role outraged Poland and Romania as well. "I think we can say that 16+1 has been gone for four years; nothing is happening. There has not been a summit since 2021, and many of the CEE countries started to say: It's been going on for 5 years and still nothing, and the Chinese officials reacted: "Well, it's only 5 years... let's see what it's brought in 10-15 years!" (Matura, T, 2 May 2025). It's been only the Orbán government that remained friendly towards Beijing among the CEE countries by continuously supporting the initiative and pointing to the BRI as a tangible result. In 2024, Beijing and Budapest upgraded their ties to an "All Weather Comprehensive Strategic Partnership for the New Era" coined by China that placed Hungary among the strongest of allies such as Russia and Pakistan (Hu, Chen, Zhang, 2024.p.213). This pragmatic approach has, therefore, created the conditions for Hungary to become the number one destination for Chinese FDI in the EU in 2022-2023, ahead of all other Central and Eastern European countries.

3.4 FDI lead growth and the Arrival of Chinese Investments

The Hungarian government, unlike those in the V4 countries, has never been able to let go of FDI-led growth, which it has pursued since the 1990s. While Hungary's effort to attract Chinese investment through various initiatives began in the early 2000s, it was not until the last few years that these efforts bore substantial fruit. Figure 1 shows that from 2003 to 2023, Chinese investment concentrated in the Big 3, accounting for more than half of all Chinese investment in Europe. Chinese companies were more interested in acquiring established brands through Mergers and Acquisitions (M&A). As shown in Figure 2, there was barely any greenfield or brownfield Chinese investment in Europe. Between 2015 and 2019, in terms of value, only 3-8 per cent of China's major European investments fell into this category, with the remaining 92-97 per cent being acquisitions. In this period, the leading Chinese investors targeted Hungary primarily in the telecommunication, electronics, and chemical industries. Among them, the largest investment was when the Chinese state-owned chemical giant Wanhua Industrial Group acquired a 96% stake in the Hungarian chemical corporation BorsodChem for USD 1.6 billion in 2011.

However, in terms of FDI, most especially greenfield investments from China turned around dramatically after 2020. In 2022, Hungary received 21%, while in 2023, 44% of total Chinese investment in Europe (Kratz et al., 2024). In Table 1, we can see the largest investments. Several factors underpin why this small state rose to become many Chinese companies' most important foreign distribution hub. The EU's investment screening mechanism in 2020 Regulation 2019/45211 was enacted due to concerns over the M&A, which covers a range of sensitive policy areas. This mechanism played a pivotal role in altering Chinese investors' strategic calculus and investment priorities. EU national authorities tend to regard Greenfield FDI as less risky since it involves the creation of new facilities and capacities rather than taking over pre-existing infrastructure or technological assets (Dong et al., 2021, p.14). Hungary's relative cost and quality of labour, compared to Western Europe, and its prominent role in intensive manufacturing and assembly operations connected to German supplier GVCs made it attractive to BYD and CATL to establish their hub in the country. Its central location within Europe and already existing businesses provide strategic access to the EU market, mainly to their main import destination, Germany and France.

Hungary also established a business-friendly environment for Chinese investors. With government incentives and favourable corporate taxes primarily in the EV sector, the leadership has demonstrated a strong commitment to supporting South Korean and Chinese investments, which account for 10-12% of its value (Éltető et al., 2024, p. 10). Investment promotion became increasingly centralized, primarily targeting major investments. With the help of HIPA as a key intermediary, there was a surge in advancing investor-driven projects and bridging sociocultural divides, resulting in a more accessible pathway for Chinese investors. In 2023, Hungary recorded a record FDI inflow of 13 billion, more than double the amount in 2022, with East Asian investors accounting for 82% of it (HIPA, 2024). Lastly, research indicates that Chinese FDI is strongly influenced by diplomatic relations, with advantageous political relationships considerably reducing the perceived risks of cross-border investments (Damioli & Gregori, 2023, p. 11). "For Chinese state-owned enterprises (SOEs), Chinese companies, the political factor is often more important than various macroeconomic or institutional aspects. For them, the role of diplomacy is especially critical, given their dual mandate of political and commercial objectives" (Szunomár, Á interview 13 May 2025). Together, these factors, as shown in Figure 3, led to a significant upswing in Chinese greenfield investment in Hungary, underscoring the success of Hungary's long-term strategy to position itself as China's European bridgehead.

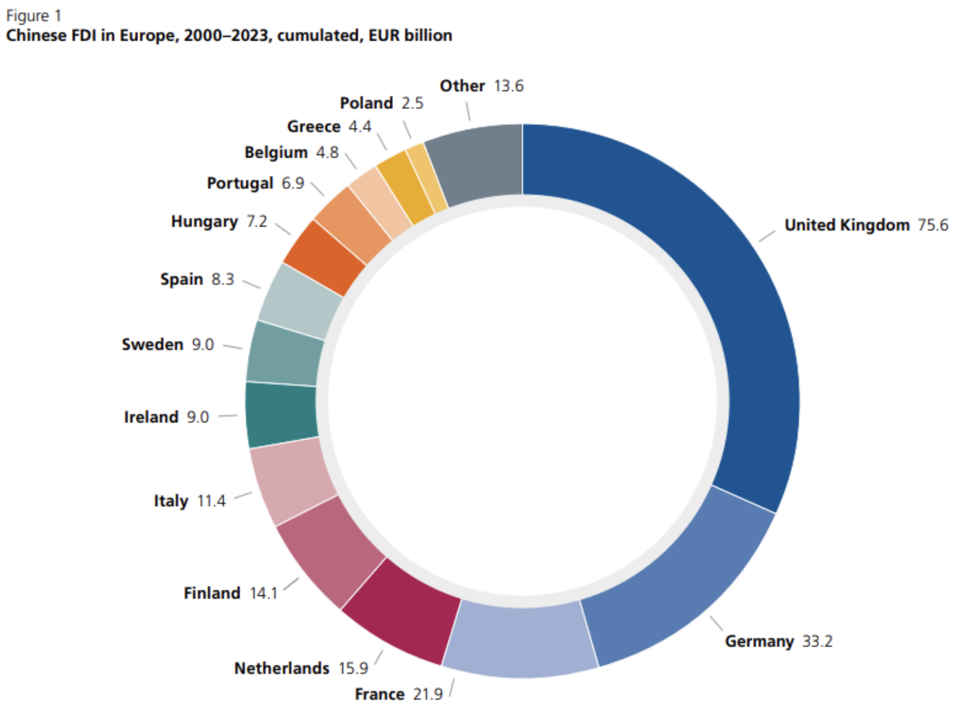

Figure 1:Chinese FDI in Europe 2000-2023, cumulated, EUR billion. Source: Éltető, Peragovics, Sass, Szunomár. data retrieved from link (last accessed 20.05.2025).

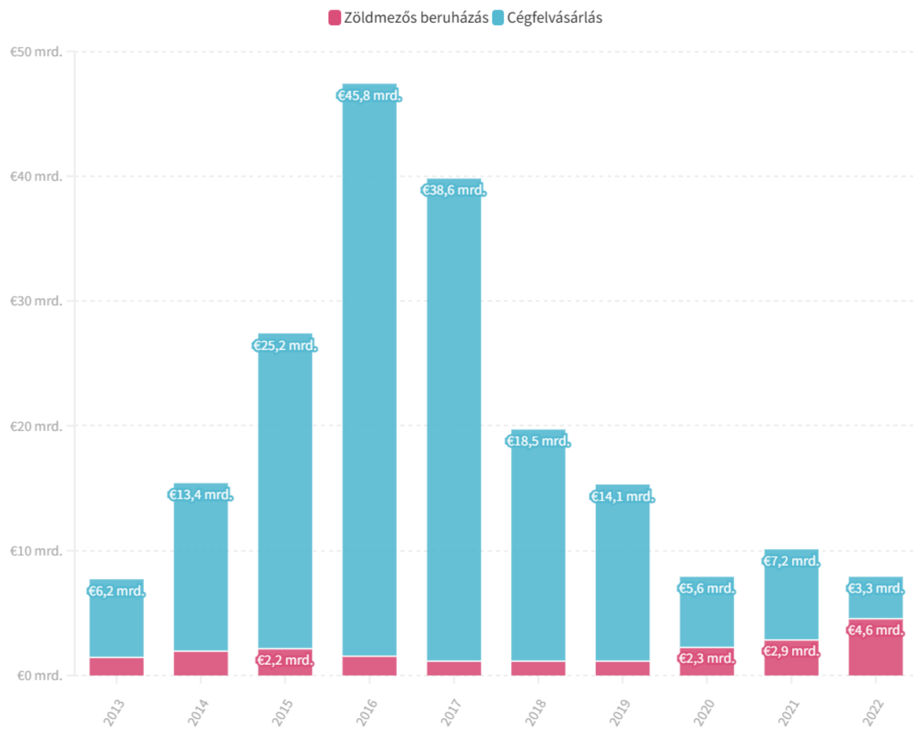

Figure 2: Nature of China's Announced FDI in Europe
Billion euros. Blue – Mergers and acquisitions Pink – Greenfield investments" Source: G7 data retrieved from link (last accessed 20.05.2025).

The top Chinese FDI projects in Hungary

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

Table 1: Top Chinese FDI Projects in Hungary. Source: Éltető, Peragovics, Sass, Szunomár. data retrieved from link (last accessed 20.05.2025).

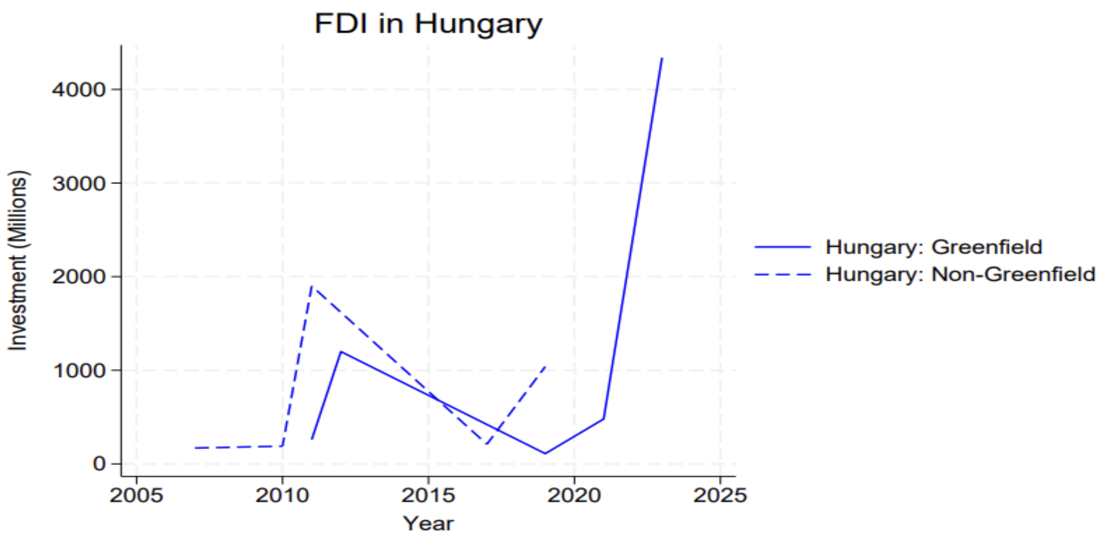

Figure 3: Greenfield vs Non-Greenfield FDI in Hungary (2010-2023). Source: Stangherlin. data retrieved from link (last accessed 20.05.2025).

4. Chapter 4: Small State Agency: Hungary's Strategic Navigation of Chinese Investment

4.1 Successful Agency: CATL and BYD (EV Investments)

The arrival of CATL and BYD, China's flagship battery and electric vehicle (EV) manufacturers, has positioned Hungary as the premiere destination of FDI in CEE. It represents a decade-long strategic agency-driven recalibration by the Orbán government that blended geopolitical opportunism with pragmatic policy design.

The Hungarian government maintains that, given the automotive sector's contribution of 33 per cent to the country's manufacturing exports, it is imperative to pursue continuous technological advancement in the field (Hungary Today,2023). Therefore, it sought to attract Asian investment in the battery industry, where China and South Korea are market leaders. The day after Latvia and Estonia withdrew from the 16+1, CATL announced the largest-ever foreign investment in Hungary. China's CATL is the world leader in battery manufacturing with a market share of 38% and is building a 7.3-billion-euro battery plant in Debrecen (CATL, 2022). Hungary is already the world's fourth-largest manufacturer of lithium-ion batteries, but according to Szijjártó Péter, "We will rise to be the second-largest manufacturers in the whole world" (Szijjártó, 2023). On the one hand, the government intended reflexivity to achieve this materialized in the regulatory and fiscal adjustments tailored to investor demands. It is known that the government supported the company by putting at least 1500 billion of taxpayer's money to bring it there (Weiler,2025). On the other hand, Hungary is indeed one of the centres of the CEE automotive cluster, and the plant is being constructed near the largest German automotive investments, chiefly BMW in Debrecen and Daimler-Mercedes in Kecskemét, indicating a closely intertwined relationship between the projects.

According to Matura, besides the massive state support, the decisive factor in bringing CATL here was the involvement of German car manufacturers. "BMW, Mercedes and Audi were the ones who pushed the company to come here, as these batteries are going into German cars" (Matura T, 2 May 2025). In 2024, the EU proposed significant tariffs on Chinese-made electric vehicles (EVs) to protect European automakers from inexpensive Chinese imports. However, Germany and Hungary jointly opposed the EU initiative, perceiving it as detrimental to their economic interests and relationships with China (Geschwindt, 2024). The Orbán government was able to capitalise on the German automotive companies aligned interests inside the EU to construct Hungary as an attractive destination while simultaneously evading EU tariffs on Chinese enterprise, functioning as a reliable diplomatic asset for Beijing. At the local level, tension is increasing between civil opposition and governmental bodies. County-level government offices have issued permits despite insufficient environmental documentation, where the information is either lacking or contradictory, and decisions are not transparent (HVG,2025). Another source of tension is that the government promised to primarily recruit workers from Debrecen and its 60-kilometre agglomeration. Due to labour shortages, it is not possible to meet the workforce demand of the factory, even from other parts of Hungary. As a result, workers are being brought in primarily from Southeast Asia. This is highly counterproductive, as the government has long based its communication strategy on the need to protect Hungarian labour from foreigners.

BYD became the world's largest manufacturer of electric vehicles, having surpassed Tesla in global production in 2024. The construction of an electric car factory in Szeged was announced in 2023, and in 2025, the company declared that Hungary will be the European headquarters of BYD (Reuters,2025). This means that around 2,000 new jobs will be created in Hungary, dealing with development and services in the future, according to the CEO of BYD). The initiative was endorsed by both the opposition leader of the city and the Fidesz party, promising to foster local collaboration and workforce development while attracting substantial investment. With an estimated annual production capacity of 200,000 vehicles, the plant has the potential to exceed Audi's current output in Győr, where 171,000 cars were assembled last year, becoming Hungary's largest car manufacturing facility (Carter, 2025). Europe is the world's third-largest automobile market, where demand for electric cars is surging, while the current policy trajectories suggest that new combustion engine vehicles will be prohibited in the 2030s (European Parliament,2022). French and Italian stakeholders have been among the most vocal opponents of BYD, as the company's market positioning and competitive pricing pose a particular threat to their respective market shares. This dynamic has contributed to internal divisions within the EU, as many member states have embraced BYD's entry. According to Szél, the case of BYD clearly illustrates what is happening in Hungary and the EU elsewhere regarding investments: "There is constant competition among member states to demonstrate more investment and more results to their own voters. This pursuit of national interests significantly hinders unified European action" (Szél B, 15 May 2025). Unlike in the case of CATL, there was no German manufacturer association to bring the company here, as BYD will use its own battery production capabilities for its vehicles, resulting in no tangible net gain for them. Hungary was able to attract a flagship investor and thus become a focal point for global EV transformation with impacts far beyond its borders.

4.2 The Budapest–Belgrade Railway

The Belt and Road Initiative (BRI) is undoubtedly one of the most significant initiatives proposed by China in recent decades. Given the geographic positioning of CEE countries between Western Europe and the Asian continent, their role was significant in the construction of this segment of the BRI. Hungary's role in the project exemplifies **Agency³**, the performative enactment of state agency through visible, strategic alignment. The Orbán government's decision to be the first European country to sign a Memorandum of

Understanding (MoU) on the BRI with China and the consistent championing of its part in the Budapest – Belgrade line signalled the willingness to act as China's primary partner in CEE. This performance manifested in the continued host China – Hungary BRI conferences, and the supportive public statements despite EU criticism have cemented Hungary as a dependable ally in the eyes of Beijing (Wenwen,2023). In addition, China's rapid and convenient infrastructure projects often proved beneficial for local politicians preparing for elections, which could also have been a factor on the Hungarian side.

The Budapest- Belgrade railway line is a 350-kilometre -long connection linking the majority Chinese-owned port of Piraeus in Greece with CEE, passing through Northern Macedonia, Serbia and Hungary. It is supposed to reduce travel time for passenger trains from 9 hours to 3 hours, though freight transport will take longer. From the Chinese perspective, this strategy would facilitate access to EU-15 markets for their domestically produced goods and enable efficient import of materials for their manufacturing facilities in Hungary. This €3.8 billion project is 85% financed with a loan from the Export-Import Bank of China, while the remaining is borne by the Hungarian state. A total of 160 kilometres of the Hungarian side will be rebuilt at the cost of around €1.98 billion Euros, which represents a substantial allocation of resources (VG, 2025). The initial rationale was predicated upon the assumption that the investment costs would be recovered through transit tariffs collected from traffic passing through the area, but investigative journalists have uncovered that the total payback period could extend to as long as 979 years (Kálmán,2024). According to the Prime Minister: "How it pays off in forint is secondary", and it will be a "true win-win situation" (Orbán, 2017).

In 2020, the Hungarian Parliament classified all contracts and decision-making documents related to reconstruction for ten years. Former Hungarian MP Szél Bernadett fought for years to get the contract made public, which she lost in the end, as the Ministry of Foreign Affairs argued that it would harm the Chinese interests. “I was not surprised that I eventually lost. I knew perfectly well that the courts were under pressure, and I was also aware that a bill had been introduced in parliament that would allow contracts to be classified on the grounds of so-called ‘national interests’” (Szél B, interview 15 May 2025). The performative agency became evident when it turned out that the domestic Hungarian firms closely linked to the government circles, particularly those owned by Lőrinc Mészáros, won the largest tender. Companies of his, V-Híd and R-Kord, secured the lucrative contract by acting as subcontractors and are currently responsible for constructing the southern section of the project, while the supply of stone is delivered by Viktor Orbán’s father, Győző Orbán company. In return for the loans, China effectively required that Chinese companies largely implement the infrastructure projects in the beneficiary countries. In this manner, loans from Chinese banks, ostensibly low-risk and offered at competitive interest rates, would ultimately return to China through Chinese entrepreneurs and subsequent loan repayments.

It’s worth noting that the Hungarian section is still not complete due to the delays that came from the failed installation of the European Train Control System (ETCS), a critical safety and signalling requirement for high-speed rail operations within the EU. Adding to the challenges, while the Serbian section of the railway has already been completed, the broader vision of a continuous corridor connecting Piraeus to Budapest remains unrealized. The sections between Belgrade and Skopje, and Skopje to Piraeus, remain far from completion, calling into question the Hungarian government’s framing of the project as a transformative regional investment. In its current form, it has become more of a political project than an economic one, designed to signal Hungary’s alignment with China on the world stage without delivering broad-based national benefits.

Chapter 5: Hungary as Reverse-Orchestrator? Strategic Agency in a System of Asymmetry

5.1 Hungary as "Reverse-Orchestrator"

While much of the existing literature, including Reilly's seminal work, interprets the target country's alignment with China as a product of Beijing's successful economic statecraft, highlighting Hungary's diplomatic alignment and infrastructural receptivity for economic gains, this section in the thesis challenges this asymmetrical interpretation. Instead, it is argued here and in the next section that Hungary has not merely been a passive recipient of Chinese economic statecraft but has actively leveraged its strategic positionality within the EU and its deepening ties with Beijing to pursue a distinct and calculated agenda of its own. In this sense, Hungary exemplifies what I term a "reverse-orchestrator": a small state that, rather than being passively orchestrated, actively reconfigures the dynamic to extract material, diplomatic, and political benefits on its own terms.

The broader geopolitical and economic context since the first Trump presidency strongly transformed China's economic landscape. The Chinese economy has stagnated over the past four to five years, so in response, the Chinese state has begun to redirect resources toward manufacturing industries (Betti, 2024). Nevertheless, due to the lack of significant consumption, they aim to produce for export. Among the major markets, the EU single market became critically important due to the US protectionist measures. Some of the most important interests have been the coal industry, medical equipment and solar energy, where Chinese market leaders took over the European market. BYD and Great Wall Motors (GWM) have now reached the point where they can enter the EU market. They needed the purchasing power of Western Europe and European countries for administrative hubs. The geopolitical and economic shifts of the 2020s have fundamentally reshaped these objectives in the continent. The relationship has undergone a notable deterioration, intensified by the COVID-19 pandemic and China's ambiguous supportive stance toward Russia's invasion of Ukraine (García-Herrero, Vasselier, 2024). Major EU member states are increasingly recognizing that compromising the long-term competitiveness and sustainability of their industries for short-term commercial gains is untenable. Italy, a key player, has departed from the BRI, while most of the CEE countries are increasingly turning away from building ties with China. Amid this climate of decoupling and de-risking, Hungary positioned itself as a crucial bridge for China into the EU.

In May 2024, President Xi Jinping's decision to include Hungary alongside France and Serbia as one of only three European stops during his high-profile visit underscores the value Beijing places on its relationship with Budapest. The visit resulted in the signing of 18 bilateral agreements spanning a broad array of sectors and interests. Particularly notable were the agreements on promoting high-quality development of economic and trade cooperation zones, green investment cooperation, and the establishment of the China-Hungary Investment Cooperation Committee (Xinhua News Agency, 2024). These initiatives promise to bring additional Chinese capital and technology into Budapest and reinforce the country's importance. Absent this gateway role, Chinese firms would face heightened tariffs and regulatory barriers. As Buzna notes, the prospect of a second Trump term, coupled with his uncompromising approach toward Beijing, casts uncertainty over the potential impact on the big Chinese ventures, but Hungary has recognized that China is a committed ally. "China is very pragmatic and patient in managing complex situations. Maintaining good relations with Hungary aligns with China's strategic interests right now, not least due to Hungary's positions within the EU Council, but they are providing a platform where Chinese technologies, aligned with European standards, can be introduced and gain representation." (Buzna V, Interview 16

May 2025). In addition, China identifies Hungary as a steadfast advocate of a more multilateral and polycentric world order, one that is shaped not by political values or ideology but by openness to deepening economic relations. China needs such a world order to continue its export-oriented strategy and to encounter less hostility in the region (Tarrósy, Trabelsi, Vörös, 2024, pp.72-75). For Hungary, it has been the government's policy view since Fidesz's second term that such a global order is essential for the success of its development strategy, centred on FDI.

5.2 Beijing–Budapest–Brussels: Calculated Moves Between Two Ordering Powers

What Reilly's framework fails to adequately capture is Hungary's tactical deployment of its EU membership, market access, and pivotal role in the automotive cluster, which has rendered it strategically significant to China, compelling Beijing to accommodate Hungary's interests. Hungary's strategic engagement with China must be understood as a calibrated manoeuvre within its geopolitical and economic environment.

The EU's decision to withhold cohesion funds due to concerns over democratic backsliding and rule-of-law deficiencies left Hungary facing a liquidity crisis (Mészáros, 2024, pp.289-306). At a time when traditional Western sources of capital were constrained by conditionalities and political scrutiny, China emerged as an indispensable partner. Beijing was a conventional partner whose investments were not conditional on rule-of-law compliance or democratic governance. This alignment is not merely opportunistic but deeply embedded within Hungary's broader ideological shift toward illiberal governance and alternative power structures. The Orbán regime, increasingly critical of Western liberal norms and EU oversight mechanisms, found a natural affinity with Beijing's state-centric economic model, which prioritizes control and long-term planning over market competition and democratic accountability.

The Hungarian government has leveraged this position not merely as a recipient of investment but as a proactive agent shaping the parameters of engagement between China and Europe. The Hungarian narrative of "connectivity policy," articulated by the prime minister political director Balázs Orbán, cast the country as a linchpin between East and West, advancing a narrative of 'economic neutrality' that strategically exploits its EU membership while aligning with Eastern capital flows (Stokes,2025). Through this tactic, Hungary has indeed become the European bridgehead for Chinese companies. In light of geopolitical tensions and protectionist measures, China is increasingly seeking to maintain and expand its presence in Western markets not through direct investments but via third countries that are politically friendlier. This was exemplified by Hungary's role as the primary European destination for Chinese EV and battery investments in 2023, attracting over 60 per cent of Chinese EV-related FDI, significantly outpacing major economies such as Germany, France, and Spain (Kratz et al., 2023).

At the same time, the EU economic powerhouses Germany and France face a dilemma with their relations with Hungary. Car manufacturers are grappling with their dependence on Asian battery suppliers. As energy prices soared and bureaucratic obstacles mounted in Germany, Chinese battery manufacturers, including CATL, found Hungary's business environment significantly more attractive than the initially planned Thuringia plant. According to Radio Liberty, who spoke with German diplomats, "If battery manufacturing in Europe is concentrated in Hungary, it becomes a trump card in the government's hand during negotiations with the EU (Keller-Alánt, Garamvölgyi,2023). Moreover, it fits into the government's ideology that Hungary is where East and West converge. Chinese firms, wary of intensifying scrutiny in Western Europe, have found a willing and supportive partner in

Hungary, where civil society's influence and environmental concerns are far less obstructive to their expansion. This convergence of European industrial needs and Chinese strategic objectives has provided Hungary with considerable leverage between the two ordering powers.

Conclusion

In this paper, I aimed to illustrate that Hungary has not simply acquiesced as a passive beneficiary of Chinese statecraft but has demonstrated a strategic role to maximize its advantage. Through a critical engagement with orchestration theory, this study has demonstrated that Hungary has exhibited a nuanced form of agency, one that disrupts prevailing assumptions in the existing literature. My findings reveal that the engagements with China, particularly through its cultivation of greenfield investments in the EV sector and flagship infrastructure projects, represent not merely economic pragmatism but a deliberate calibration of relationships with both China and the EU. Demonstrating its alignments, the Orbán government has secured the largest capital investment and diplomatic backing from Beijing in CEE. This transformation is epitomized by the CATL battery mega factory in Debrecen, BYD's forthcoming automotive hub in Szeged, and the politically charged Budapest–Belgrade railway. Notably, Hungary's success in attracting over 44 per cent of all Chinese FDI into Europe in 2023 underscores its shift from a peripheral player to a pivotal connector between China and the EU. Faced with the enduring repercussions of structural shocks, including economic vulnerabilities and geopolitical instability, the Hungarian government has turned to China not merely as a source of capital but as a strategic partner in a broader vision of "alternative modernities." Their vision is rooted in a pragmatic economic calculus and ideological alignment, demonstrating that even structurally constrained states can reverse the dynamics of orchestration to shape their engagement with global powers. The global context validates this argument: With renewed US-China tensions that brought tariffs and a fragmented economy, the capacity of smaller and mid-size states to manoeuvre between competing powers has become increasingly salient, with the likes of Singapore and Greece. The proactive embrace is not an isolated phenomenon. Recalibration were seen elsewhere, including Spain's pivot under Pedro Sánchez's government, which has also begun exploring deeper economic opportunities with China amid rising geopolitical uncertainty. Nonetheless, this thesis also acknowledges the limitations in this model. While the immediate influx of Chinese investment and geopolitical leverage may bolster Hungary's short-term position, long-term sustainability remains uncertain. The prognosticated economic gains have yet to fully materialize for the domestic population, and the growing dependence on Chinese capital and technology may expose it to future vulnerabilities. All in all, Hungary's case challenges the prevailing narratives of small-state passivity and shows that through calculated engagement, it can establish itself as a significant actor in the CEE and Europe. As global chess continues to evolve, the significance of small states grows in the playing field of major powers.

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