CHINESE FDI AND ITS ECONOMIC IMPACT ON HUNGARY

A CASE STUDY IN THE SHADOW OF THE NEW FDIS AND FS REGULATION

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Submitted to Central European University – Private University

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Vienna, Austria

2025

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For bibliographic and reference purposes this thesis should be referred to as:

Hermanyi, B. 2025. Chinese FDI and its Economic Impact on Hungary. LLM Thesis, Department of Legal Studies, Central European University, Vienna.

Abstract

Since 2014, Hungarian-Chinese trade relations have experienced substantial growth, with exports increasing by 8%, imports rising by 131%, and total trade turnover expanding by 95%. Hungary has been able to achieve this staggering trade growth mainly through neutral[1] economic and governmental policy, which resulted in attracting Chinese investors. As a result, Chinese investment tendencies have shifted towards the CEE region from Western Europe, and Hungary received a significant 44% of all Chinese FDI in Europe, more than France, Germany and the UK combined.[2]

The question arises, however, whether the excessive new FDIS and FS Regulations in the EU are going to hinder the inflow of Chinese FDI. These Regulations are targeting Chinese investments, given that Chinese companies usually enter the European market with significant state support, gaining competitive advantage and driving down prices at which European manufacturers cannot compete. These aspects of Chinese investments make it particularly problematic from the point of view of the EU's authorities.

The aim of this thesis is to explore what are the short- and long-term economic impacts of major Chinese FDI projects in Hungary and how the new FDIS and FS Regulations could change the inflow of these investments and the competitiveness of both Hungary and the EU. This research is concluded with the finding that the current FDIS and FS Regulations are understandable for controlling Chinese FDI, despite the beneficial effects of Chinese investments and the fact that excessive Regulations hinder the inflow of these investments.

[1] Zoltán Kovács, 'PM Orbán: Economic neutrality is a difficult task, but we must be ready to embrace it.' (About Hungary, 25 September, 2024) https://abouthungary.hu/blog/pm-orban-economic-neutrality-is-a-difficult-task-but-we-must-be-ready-to-embrace-it accessed 27 May 2025.

[2] Agatha Kratz, Max J. Zenglein, Alexander Brown, Gregor Sebastian and Armand Meyer, 'DWINDLING INVESTMENTS BECOME MORE CONCENTRATED, Chinese FDI in Europe: 2023 Update' (Rhodium Group, 6 June 2024) https://rhg.com/research/chinese-fdi-in-europe-2023-update/ accessed 14 April 2025, 6.

The thesis approaches the research question from two angles. On one hand the thesis is contributing to the ongoing debate on the balance between economic security and openness in the EU, investigating the fundamental problem how the extensive FDIS and FS Regulations will interact with the EU competitiveness and investment environment. It also highlights the potential risks of fragmentation within the EU when Member States pursue divergent FDI policies. On the other hand, through an interview with the Director of the HIPA, it presents the largest Chinese FDI investments in Hungary, exploring the core question whether Chinese investments are beneficial to Hungary's and the CEE region's economy. Through the interview, the reader of this thesis will gain insight how these investments are affecting the Hungarian economy in the short- and long-term.

Author's Declaration

I, the undersigned**, dr Bence Hermányi** candidate for the LLM degree in **Global Business Law and Regulation**, declare herewith that the present thesis titled '**Chinese FDI and its Economic Impact on Hungary, a case study in the shadow of the new FDIS and FS Regulation**' is exclusively my own work, based on my research and only such external information as properly credited in notes and bibliography. I declare that no unidentified and illegitimate use was made of the work of others, and no part of the thesis infringes on any person's or institution's copyright. I also declare that no part of the thesis has been submitted in this form to any other institution of higher education for an academic degree.

Vienna, 16 June 2025

dr Bence Hermányi

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List of Abbreviations

CEE	Central and Eastern Europe
EC	European Commission
EU	European Union
EV	Electronic vehicle
FDI	Foreign Direct Investment
FDIS	Foreign Direct Investment Screening
FDISR	Foreign Direct Investment Screening Regulation
FS	Foreign Subsidies
FSR	Foreign Subsidies Regulation
GDP	Gross Domestic Product
HIPA	Hungarian Investment Promotion Agency
ICT	Information and Communication Technology
IMF	International Monetary Fund
NATO	North Atlantic Treaty Organisation
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
WTO	World Trade Organisation

1. Introduction

In recent years, China has become one of the largest investors in the EU[3], with FDI reaching EUR 10 billion in 2024.[4] This was achieved through a state-led and owned investment strategy, based on an export-oriented economy. Within this framework, "Made in China 25" and the "Belt and Road Initiative" was established, which are the most significant strategies from China to boost their economy and influence.[5] "Made in China" aims to grow China from a cheap labour-based to a high-tech economy. The "Belt and Road Initiative" encourages investment and development with other countries. Hence, China became one of the leaders of global geopolitics. Just to highlight one point: out of 64 critical technology ecosystems which are essential for the functioning of the EU economy[6], China is the world leader in 57.[7]

However, due to geopolitical and economic tensions, and the core concern that Chinese companies are emerging in Europe with state support, usually backed by state fundings or ownership, and gaining therefore significant competitive advantage, the EU had to respond, to protect the integrity of the market and ensure fair competition. EU Regulation 2019/452 on FDIS entered into force on 11 October 2020, was established to screen foreign investments coming into the EU that may affect security or public order.[8] In addition, the FSR, applied from

[3] European Commission, 'EU trade relations with China. Facts, figures and latest developments' https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en accessed 14 April 2025.
[4] Agatha Kratz, Max J. Zenglein, Andreas Mischer, Gregor Sebastian and Armand Meyer, Chinese investment rebounds despite growing frictions, Chinese FDI in Europe: 2024 Update (Merics Report, May 2025) https://merics.org/sites/default/files/2025-05/MERICS-Rhodium-Group-COFDI-Update-2025_FINAL_0.pdf accessed 1 June 2025, 7.
[5] European Court of Auditors, *The EU response to China's state-led investment strategy*, 2020, 2, 5
[6] Critical technologies refer to fields like, defence, space, energy, cyber, computing, quantum technology, artificial intelligence etc., Dr Jennifer Wong Leung, Stephen Robin and Danielle Cave, 'Critical technology tracker: two decades of data show rewards of long-term research investment.' (Australian Strategic Policy Institute, 30 August 2024) https://www.aspi.org.au/strategist-posts/critical-technology-tracker-two-decades-of-data-show-rewards-of-long-term-research-investment/ accessed 23 May 2025.
[7] István Joó, 'Is there anything wrong with Chinese Capital?' (HIPA, 1 November, 2024) https://hipa.hu/blog-en/is-there-anything-wrong-with-chinese-capital/ accessed 10 April 2025.
[8] European Parliament and Council Regulation (EU) 2019/452 on establishing a framework for the screening of foreign direct investments into the Union (FDI Screening Regulation) [2019] OJ L79 I/1.

12 July 2023, was created, to address distortions in the EU market caused by foreign subsidies. These instruments reflect the EU Authorities growing concern to limit Chinese investment in sensitive or strategic sectors.[9]

Against this backdrop, the question arises whether Chinese investments really contain risks on Member States and the EU competitiveness considering the FDIS and FS Regulations. To address this question, this thesis examines what kind of short- and long-term impacts Chinese investments have on Member States, and more specifically in Hungary.

The thesis is based on legal and economic research, focusing on the potential effects of the EU's FDIS and the FS Regulations, on the EU's and Member States competitiveness and the Chinese investments in Hungary. The findings of this thesis are based on doctrinal method, through which I analyse relevant legislation and legal scholarship in relation to the research question. In addition, some of the insights are based on empirical evidence, collected through an interview with the Director of the HIPA. The interview provides insight how Chinese investments are affecting the Hungarian economy in the short- and long-term, and what kind of risks does it hold for Member States to host Chinese investments.

The analysis is structured as follows. The thesis first addresses the Hungarian investment environment and its history. This chapter gives a general overview, why Hungary is favoured and worth to invest in by foreign companies. The subsequent chapter analyses the regulatory framework, providing insight to the Hungarian legislation and the FDIS and FS Regulations in detail. This part provides information to what extent the Hungarian system differs from the EU legislation. The next chapter gives a comprehensive insight on why Chinese investors are favouring Hungary as a top destination for their investments and to the recent FDI trends in

9 European Parliament and Council Regulation (EC) 2022/2560 on foreign subsidies distorting the internal market (FSR Regulation) [2022] OJ L330/1.

Europe, with a special focus on the largest and recently announced Chinese investments in Hungary, focusing on major projects like battery plants (CATL, Sunwoda Electronic and Eve Power) and electronic vehicle factories (BYD). The penultimate chapter examines the short- and long-term impacts of Chinese FDI in Hungary, through an interview with the Director of the HIPA. It discusses the question whether these investments have contributed to the national economic growth of Hungary and the CEE region. As a conclusion, the research finds that the currently effective FDIS and FS Regulations are justifiable, despite the beneficial effects of Chinese FDI for the national economy and the fact that they are hindering competitiveness.

2. The Hungarian investment environment and its history

After the regime change in 1989, Hungary was one of the first countries in the CEE region to open its doors to foreign investors, making it one of the most attractive investment locations in the region in the 1990s.[10] During these years, two types of FDI emerged in Hungary, which are the most common forms of investments to present day:

a) Mergers and acquisitions, which means bringing together two companies, either through a merger, where two equally strong companies combine, or an acquisition, where a bigger company is buying a smaller one;[11] or

b) Greenfield investments, which means creating a new facility in a foreign country or a parent company creating subsidiaries, which is less popular than mergers and acquisitions, since it involves high investment costs and risks.[12]

Companies usually decide to enter foreign markets if they find a location where production and manufacturing costs are lower and, therefore, can better serve local markets.[13] Hungary has become an attractive destination, due to geographical reasons, as it is in the central of the CEE region, relatively close to developed Western countries, and offers cheap and qualified labour force, developed infrastructure and possibility to enter and access the EU market. As a result, almost EUR 43 billion was invested in the country in 2003.[14] In 2004, Hungary joined the EU and gained access to the integral market with all its benefits.

[10] P Mihályi, 'Foreign Direct Investment in Hungary – The Post-communist privatisation story re-considered', (2000) *Acta Oeconomica* https://www.jstor.org/stable/90002232 accessed 6 April 2025, 116-117.
[11] Ann C. Logue, 'Mergers, Acquisitions, and other ways companies join forces', (Britannica Money, 26 March 2025), https://www.britannica.com/money/mergers-and-acquisitions-strategy accessed 8 April 2025.
[12] Tung Son Ha, Vu Tuan Chu, Mai Tuyet Thi Nguyen, Dung Hoai Thi Nguyen and Anh Ngoc Thi Nguyen, 'The impact of Greenfield investment on domestic enterpreneurship', (2021) *Journal of Innovation and Entrepreneurship* https://innovation-entrepreneurship.springeropen.com/articles/10.1186/s13731-021-00164-6 accessed 28 March 2025, 3-4.
[13] E Kiss, 'Foreign Direct Investment in Hungary: Industry and Its Spatial Effects' (2007) 45(1) *Eastern European Economics* 6, doi: 10.2753/EEE0012-8775450101, 13.
[14] Kiss (n 13), 8-11.

The following years in Hungary were marked by the Great Financial crisis (2008-2009). On one hand the financial crisis had severe impacts on the domestic economy.[15] Banks suffered heavy losses because of debt buyback, low investment in innovation, high level of energy dependence, and the currency has lost its value.[16] On the other hand, it created on opportunity for third countries, most notably, China and Russia, to invest in the EU, to increase their competitiveness and influence. From the EU side, this was where the need arose to regulate foreign investments. As we will see, this was done in a gradual manner and at a slow pace, as the FDISR only entered into force in 2020 and the FSR only in 2023.

Since 2010, the Hungarian investment and political environment changed significantly, due to the fact that Hungary put emphasis on export-led and neutral economy policy, attracting high-value added investments to Hungary. [17] In 2012, Hungary introduced its Eastern opening policy, which aimed to open up the economy to South and Middle Asian investors, directly through export and foreign direct investment expansion and supplier relationships.[18] Notably, while in 2022 Germany and Austria were the largest investors in Hungary, in 2024, China and South Korea are the top two investors, with EUR 7,9 billion worth combined. This also means, that the partner countries, which are participating in the Eastern opening policy are responsible for 80% of the aggregate investment volume in 2024.[19]

To attract and coordinate these investments, the Hungarian government established in 2014 the HIPA, which aims to help investors to navigate through the Hungarian regulatory framework and attract foreign investments. As the CEO of the HIPA, István Joó stated, "Hungary's

[15] Ákos Valentinyi, 'The Hungarian Crisis', in CESifo Group Munich (eds), *The EEAG Report on the European Economy 2012*, (2012) 124-125.
[16] Embassy of Hungary Doha, 'Foreign Direct Investment (FDI) in Hungary', https://doha.mfa.gov.hu/eng/page/foreign-direct-investment-fdi-in-hungary accessed 29 March 2025.
[17] István Joó, 'Where does Europe stand in terms of competitiveness?' (HIPA, 4 September 2024), https://hipa.hu/blog-en/where-does-europe-stand-in-terms-of-competitiveness/, accessed 21 February 2025.
[18] Nikoletta Szigethy-Ambrus, 'A Keleti nyitás külgazdasági stratégia eredményei a Magyar külgazdaságban, (Oeconomus Gazdaságkutató Alapítvány, October 2022) https://www.oeconomus.hu/irasok/keleti-es-deli-nyitas-strategia-milyen-eredmenyekkel-valtoztak-a-hazai-kulgazdasag-iranyai-2022-ig/ accessed 1 April 2025.
[19] Kratz, Zenglein, Brown, Sebastian and Meyer (n 2).

approach to investment promotion is economic neutrality and connectivity put into practice and these strategies are already delivering tangible results for the economy."[20]

The notion of "economic neutrality" invoked by Joó refers to the sovereign freedom of a state to choose with which countries it wishes to engage in trade and investment, in accordance with the interest of the country.[21] As such, there are two ways of achieving economic neutrality: first, the continuance of existing commercial relationship with both sides of the conflict, and second, to limit economic interactions with the parties equally. Hungary's approach in the current trading environment is to maintain links between countries in tension (China and Russia, on the one hand, and other EU Member States, on the other) to create opportunities and to attract higher levels of FDI flows. It should be noted, however, that in the long term, a country may face disadvantages because of the chosen neutral position, such as the development of trade relations cannot go beyond nominal growth and transnational trade facing greater limitations, which affects the neutral country's opportunities.[22]

The results speak for itself. Between 2014 and 2024, 2,200 investments worth EUR 59 billion have been made in Hungary, creating over 170,000 jobs. In 2024 alone, EUR 10 billion threshold was crossed, with 77 new projects launched and creating more than 18,000 new jobs.[23]

[20] István Joó, 'Investment Promotion in the Shadow of Tariff Wars', (HIPA, 1 April 2025) https://hipa.hu/blog-en/investment-promotion-in-the-shadow-of-tariff-wars/ accessed 3 April 2025.
[21] Kovács (n 1).
[22] Nikoletta Szigethy-Ambrus, 'Neutral economies – European perspectives' (2024), https://www.oeconomus.hu/en/analyses/neutral-economies-i-european-perspectives/ accessed 10 of April 2025.
[23] Joó (n 20).

3. Hungary's regulatory framework

Since Hungary is a Member State of the EU, both national and EU legislation is governing foreign direct investments and foreign subsidies. In the following, we will analyse first the Hungarian and then the EU legislation.

3.1. Domestic legislation

In Hungary, FDIS is regulated through Act LVII of 2018 on the control of foreign investments violating Hungary's security interest.[24] The Act introduced a FDIS mechanism, which regulates the notification system and authorisation of foreign acquisitions of stakes in the Hungarian strategic companies. The Act designates the Ministry of Interior as the licensing authority and states that foreign investors acquiring more than 25% in Hungarian strategic companies are subject to obtaining a license. As part of the licensing procedure, the Ministry of Interior examines, based on the submitted documents, whether the acquisition would harm Hungary's security interests.[25]

The Covid-19 pandemic brought changes to the regulatory framework. Among other EU Member States, such as Austria, Germany and Italy, Hungary also amended the FDIS legislation and introduced interim measures to protect strategic companies and national security which were highly affected by the economic downturn of the pandemic. Act LVIII of 2020[26] introduced an additional FDIS procedure, attributing temporary licensing authority to Ministry

[24] Act LVII of 2018 on the control of foreign investments damaging Hungary's security interest.
[25] Unger Balázs, Bán, S. Szabó és Rausch & Partners Ügyvédi Iroda, 'Nem csak Magyarország korlátozza a stratégiai cégekben való külföldi tulajdonszerzést – Amit az FDI átvilágítási mechanizmusról tudni érdemes!, (*Jogi Fórum*, 7 June 2023) https://www.jogiforum.hu/hir/2023/06/07/nem-csak-magyarorszag-korlatozza-a-strategiai-cegekben-valo-kulfoldi-tulajdonszerzest-amit-az-fdi-atvilagitasi-mechanizmusrol-tudni-erdemes/ accessed 1 June 2025.
[26] Act LVIII of 2020 on transitional rules and epidemic preparedness in connection with the end of an emergency.

for Economic Affairs. In addition to broadening the scope of strategic sectors that are subject to licensing, the Act reduced the 25% threshold to 10%.[27][28]

This regulatory system establishes a dual investment screening mechanism, which, compared to other EU member states is more stringent. In addition, during the Covid-19 pandemic, further restrictions were introduced, such as in Government Decree 135/2020 (IV.17.) on the measures necessary for the stability of the national economy in the context of the emergency, which introduced a new institution, namely the special economic zone. The special economic zone is defined as a site and its immediate surroundings declared by the Government to be an investment of major economic importance, with a total cost of at least HUF 100 billion, affecting a significant part of the country's territory and serving to avoid massive job losses and new investment or expansion. After being in in force for several years, the law establishing the special economic zone was struck down by the Hungarian Constitutional Court in 2025.[29]

Given the fact that screening and reporting procedures are confidential, and thus most cases where the Hungarian legislation prohibited certain FDI remain classified, two cases illustrate that the Hungarian legislation is considered stricter than the FDISR.

In case C/2024/578, the EC assessed, that the veto decision of Hungary in the FDIS procedure is incompatible with the freedom of establishment. In the referred case, Vienna Insurance Group AG intended to acquire sole control over AEGON CEE, therefore, they signed a Sale and Purchase Agreement. Based on Government Decree 135/2020 (IV.17.), Vienna Insurance Group notified on the acquisition the Hungarian Ministry of Interior, which later prohibited the acquisition without justification. Vienna Insurance Group submitted an appeal to the

27 Szimler Gergő, Bolvári Ferdinánd és Faragó János, 'Amint minden vállalatnak tudnia kell az FDI-bejelentésekről Magyarországon.' (19 February 2025) https://cfaa.hu/amit-minden-vallalatnak-tudnia-kell-az-fdi-bejelentesekrol-magyarorszagon/ accessed 1 June 2025.
28 dr. Bejó Ágnes, 'FDI-engedélyeztetés: A szabály, ami nem vész el csak mindig átalakul.', (Jalsovszky, 9 February 2024) https://jalsovszky.com/blog/fdi-engedelyeztetes-a-szabaly-ami-nem-vesz-el-csak-mindig-atalakul, accessed 1 June 2025.
29 Constitutional Court order 8/2021. (III.2.).

Metropolitan Court of Budapest, which dismissed the appeal. While the appeal was pending before the Hungarian Supreme Court, the EC started an investigation of the veto decision of the Hungarian Ministry of Interior, whether it was compatible with the general principles and provisions of EU law, such as freedom of establishment. The EC found that the veto decision restricted Vienna Insurance Groups freedom of establishment, as Hungary did not prove that the investment was a threat to public security and therefore justified under the FDIS legislation in Hungary.[30]

In Case C-106/22 the European Court of Justice delivered a determining decision. The case relates to the acquisition of "Janes és Társa", a Hungarian company that owns a quarry, by Xella Magyarország Építőanyagipari Kft., a Hungarian concrete-production company, which had a parent company seated in Bermuda.[31] The acquisition was prohibited under the Hungarian FDI legislation on the grounds of national interest, since the parent company established in Bermuda would pose a risk to the security of supply in the construction sector. Xella challenged the prohibition before Hungarian courts, arguing that the decision is a restriction on the free movement of capital under EU law. The European Court of Justice concluded that the EU FDISR only applies to investments in the EU by companies from third countries. This means, that if a Bermuda company has control over an EU based investor, the Regulation does not apply. In addition, the European Court of Justice found that the prohibition of national interest was not justified, consequently authorised the acquisition.[32]

[30] EU Regulation 2019/452 (n 8).
[31] Opinion of AG Capeta, Case C-106/22 Xella Magyarország Építőanyagipari Kft v Innovációs és Techológiai Miniszter ECLI:EU:C:2023:764, delivered 28 September 2023 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:62022CC0106 accessed 15 June 2025.
[32] Baker McKenzie, 'The European Court of Justice Clarifies that National FDI Regimes must respect the EU Fundamental Right of Establishment' (Foreign Investment and National Security Blog, 24 July 2023) https://foreigninvestment.bakermckenzie.com/2023/07/24/the-european-court-of-justice-clarifies-that-national-fdi-regimes-must-respect-the-eu-fundamental-right-of-establishment/ accessed 15 June 2025.

3.2. EU legislation: The Foreign Direct Investment Screening Regulation[33]

The FDISR entered into force on 11 October 2020. As previously stated, it was created since FDI's can pose a risk for security and public order in EU Member States and beyond. The aim of the legislation is to balance between the need of FDI and the EU's security and public order. The Regulation does not target any specific third country, as non-discrimination plays a pivotal role among foreign investors.[34] The Regulation created a cooperation mechanism between Member States and the EC to exchange information and raise concerns on notified cases and allows the EC to issue opinions on investments that can pose risks or threat EU security or public order. In 2023, the EC issued on overview on the achieved results, and stated, that in three years the EC and the Member States screened over 1,200 transactions and issued concerns on less than 3%. Most cases concerned manufacturing, energy and defence sectors.[35] Notably, as the EC has growing concern about Chinese FDI, the screened FDI investment from China rose to 6% in 2023, which shows a rising standard compared to previous years.[36] Since 2022, the share of Chinese investment has been on a steady decline, partly because Chinese investors have become more cautious about investing in Europe due to a tightening and expanding FDI regulatory structure.[37]

[33] EU Regulation 2019/452 (n 8).
[34] European Commission, Frequently asked questions on Regulation (EU) 2019/452 establishing a framework for thr screening of foreign direct investment into the Union (May 2025) https://circabc.europa.eu/rest/download/7c76619a-2fcd-48a4-8138-63a813182df2 accessed 1 June 2025.
[35] European Commision, European Economic security strategy, 'EU Foreign Direct Investment screening, 2024 Revision.'https://ec.europa.eu/commission/presscorner/api/files/attachment/877349/Factsheet%20Economic%20Security%20-%20FDI%20Screening.pdf accessed 1 June 2025.
[36] European Court of Auditors, *Screening foreign direct investments in the EU*, (2023).
[37] Kratz, Zenglein, Brown, Sebastian and Meyer (n 2).

Despite these effects, in 2023, the EC suggested a revision of the regulation,[38] reflecting to the new geopolitical tensions, security challenges and issues indicated by an OECD report.[39] The aim of the revision is to ensure all Member States have a screening mechanism in place, identifying a minimum sectoral scope that are required to screen, extending the Scope of EU screening to cover transactions within the EU and the material scope to indirect investments by EU investors that are controlled from a non-EU country, setting minimum procedural requirements and introducing an own initiative procedure for ex-post reviews. The most important innovation of the proposal is that it would give veto rights for the EC to prevent harmful FDI.[40][41] The proposal was adopted by the EU International Trade Committee on 8 April 2025. If accepted, it would change the EU investment screening environment significantly, as currently investment screening is a Member State competence.

Available case law shows Chinese investments are facing difficulties under the FDISR. In 2024, the German FDI Authority prohibited the acquisition of a gas turbine business of Volkswagen subsidiary MAN Energy Solutions by CSIC Longjiang GH Gas Turbine, as it was considered a subsidiary of state-owned China State Shipbuilding Corporation.[42] In 2022, the German government blocked Silex Microsystems, a subsidiary of Chinese chipmaker Sai MicroElectronics, taking majority control over the domestic semiconductor facility.[43] In the same year, German authorities prohibited the acquisition of Heyer Medical AG by the Chinese

[38] Proposal for a Regulation of the European Parliament and of the Council on the screening of foreign investments in the Union and repealing Regulation (EU) 2019/452 COM (2024).
[39] European Commission, F*ramework for Screening Foreign Direct Investment into the EU, Assessing effectiveness and efficiency* (2022).
[40] European Commission, *European Economic security strategy, 'EU Foreign Direct Investment screening*, *2024 Revision.'* https://ec.europa.eu/commission/presscorner/api/files/attachment/877349/Factsheet%20Economic%20Security%20-%20FDI%20Screening.pdf, accessed 1 June 2025.
[41] Csaba Moldicz, 'Hungary external relations briefing: Chinese direct investment in Europe' (China-CEE Institute, 2025) https://china-cee.eu/wp-content/uploads/2025/05/2025er03_Hungary.pdf, accessed 29 May 2025, 4-5.
[42] Paul Johnson, Pavlo Prokhorov and Beau Maes, 'FDI and FSR Enforcement Trends in Europe: July and August 2024 – Hard Times for Chinese Investment in Europe?' (Baker Mckenzie Foreign Investment and National Security Blog, 12 September 2024) https://foreigninvestment.bakermckenzie.com accessed 15 June 2025.
[43] Ibid

Aeonmed Group, as the latter received a significant financial support from the Chinese government, allowing it to price aggressively on the German market.[44]

3.3. EU legislation: The Foreign Subsidies Regulation[45]

The FSR entered into force on 12 July 2023 with the aim to address distortions caused by foreign subsidies. The Regulation enables the EC the enforce the legislation to protect the European Single Market.[46] As an enforcement tool, the EC has the power to investigate and supervise financial contributions granted by third-country governments to companies active in the EU and impose measures if needed.[47] The Regulation relies on a notification based system, where companies must notify the EC on the financial contributions received, establishing different thresholds and procedures.

In case C/2024/1913, which shows the effectiveness of the FSR, the EC initiated an investigation against CRRC Qingdao Sifang Locomotive Co., Ltd., suspecting that in Bulgaria, during a public procurement procedure, the company has been granted foreign subsidies, in violation of the FSR.[48] It turned out, that during the public procurement procedure, the offer of the Chinese company was half the costs to the next competitors bid, which was possible through foreign subsidies granted by Beijing. Consequently, the bid was revoked.[49]

3.4. Summary and conclusions

As this overview shows, the EU is facing increasing challenges to guarantee the stability and security of the European Single Market and strategic priority sectors. Investments or subsidies

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[44] Mirko von Bieberstein, Germany prohibits acquisition of Heyer Medical by Chinese investor (Cleary Foreign Investment and International Trade Watch, 9 May 2022) https://www.clearytradewatch.com/2022/05/germany-prohibits-acquisition-of-heyer-medical-by-chinese-investor/ accessed 15 June 2025.
[45] Regulation (EU) 2022/2560 (n 9).
[46] Regulation (EU) 2022/2560 (n 9).
[47] European Commission, Directorate for Competition, 'The Foreign Subsidies Regulation in a nutshell' (2024) https://competition-policy.ec.europa.eu/foreign-subsidies-regulation/about_en accessed 18 May 2025.
[48] European Commission, Summary notice concerning the initiation of an in-depth investigation in case FSP.100147 pursuant to Articles 10(3)(d) of Regulation (EU) 2022/2560 [2025].
[49] Moldicz (n 41), 8.

from third countries are clearly transforming the EU's competition policy regime. To address the issues, the FDISR and FSR were established, which are subject to continuous review to ensure and increase their effectiveness. We can see that the EC already has a proposal to practice veto rights to prevent certain investments. In legal scholars' opinion, these Regulations are legitimate tools for enhancing development. However, attention should be paid to how these instruments are used in practice, as tools provided in the regulations can lead to protectionism, strengthened decoupling process against third counties and as a result, weaker competitiveness of the EU. [50]

Although the regulations imposed significant obligations on the Member States to comply with, Hungary introduced its own investment screening mechanism in 2018, two years before the FDISR was enacted. The two layer investment screening procedure complies with the Regulation and even impose more obligations on foreign companies to comply with. As an OECD report states, the Hungarian legislation is one of the strictest in the European Union.[51] The described case law supports this statement, since the Hungarian government prohibited acquisitions in both cases based on Hungarian legislation through veto rights, but, on the proposal of the EC, it either lifted them or allowed the acquisition, as they were contrary to the principles of free movement of capital and freedom of establishment. In my view, this shows that the EC has a narrower interpretation of what falls within the scope of the definitions of public order and security.

Based on the German cases, it can be stated, that the German government takes a strict stance against Chinese investments, which are considered to be high-risk by the German FDI Authority. The provided case law shows that several Chinese investments have been prohibited

[50] Moldicz (n 41), 8-9.
[51] OECD, FDI Regulatory Resctrictiveness Index: Key Findings and Trends (OECD Business and Finance Policy Papers No 72, 2024) https://doi.org/10.1787/20758677 accessed 1 June 2025.

by the German FDI Authority, which also shows that the existing FDISR is effective in preventing investments that are considered a threat to security and public order. In my opinion and considering the above-mentioned facts, the only provision of the new FDISR that would be beneficial is the one that requires all countries to introduce FDI regulation at national level, as there are currently blind spots in the system, with the lack of an FDIS mechanism in some EU Member State.[52] Allowing the EC to exercise a veto right over these investments would carry the risk that these investments, including from China, could become the victim of political decisions, especially in view of the decoupling process.

[52] Proposal for a Regulation of the European Parliament and of the Council (n 38).

4. Recent FDI trends in Europe, with a focus on Hungary

The question arises whether, under the current regulatory constraints, Hungary remains an attractive destination for FDI, especially from China. Hungary serves as a stable and politically secure environment for Chinese companies with close ties to Beijing, which serves as an important driver of Chinese FDI to Hungary.[53] The Hungarian government is doing everything it can to attract Chinese investments, including providing large amounts of state financial support for such investments, which can be complemented by flexible management of the regulatory environment to ensure that investment boosts the domestic labour market and brings know-how to the country.[54] Just to present one highlight of the rising diplomatic relationship between the two countries, in 2024, Xi Jinping, President of the People's Republic of China visited the Hungarian Prime Minister Victor Orban from May 8 to 10, 2024 in Budapest. Hungary and China signed 18 agreements after the meeting. Some highlights of the agreements with economic effects:

a) launching a nuclear energy cooperation;
b) building of a freight rail and high speed railway;
c) development of the Hungarian countrywide network of electric car charging stations;
d) building of a fast oil pipeline;
e) large scale exports of animals and fruits to China.[55]

The tight cooperation is showed by the fact that the countries are even cooperating their nuclear energy program. Economic actors assessed the visit of the Chinese President to Hungary as an opening of the country to Chinese investors.

[53] Kratz, Zenglein, Brown, Sebastian and Meyer (n 2), 10-11.
[54] Kratz, Zenglein, Mischer, Sebastian and Meyer (n 4), 17-20.
[55] Ministry of Foreign Affairs The People's Republic of China, 'Outcome List of President Xi Jinping's State Visit to Hungary' (10 May 2024) https://www.mfa.gov.cn/eng/xw/zyxw/202405/t20240530_11332941.html accessed 10 April 2025.

In addition to the political considerations, Hungary has one of the most attractive taxation, employment and fundings systems. For instance, Hungary has been continuously improving its taxation system, with a flat rate of corporate income tax at 9%, which is the lowest in the EU. As the CEO of HIPA highlighted, the reason behind last year's enormous success is, that Hungary is member of international organisations, like UN, OECD, WTO, NATO, IMF, EC and most importantly the EU. Therefore, investors can gain access to the integral market of around 450 million people in 27 Member States.[56]

Remarkably, Hungary has the 9th highest economy complexity ranking, which refers to a measure of the amount of competence and knowledge that goes into manufacturing a product.[57] Hungary has 121 direct flights, standing first place in length of motorways in the CEE region and place five in railway line density in the EU. Consequently, investors can gain easy access to Western and Eastern European countries.[58]

In 2023, the EU attracted EUR 6,8 billion worth of Chinese foreign direct investment.[59] In 2024, it reached EUR 10 billion, making the European Union the most attractive place for Chinese investments, which shows, that Chinese FDI is concentrated in emerging markets. Nevertheless, China is a relatively small investor, with the United States and Japan ahead of it. In addition, compared to 2023, greenfield investments grew by 21%, reaching EUR 5,9 billion, while mergers and acquisitions rose by 114%, reaching EUR 4,1 billion. In 2023 and 2024, Hungary was the most favoured destination for Chinese FDI, attracting 44% in 2023, and 31% in 2024 of all Chinese FDI in Europe.[60]

[56] Joó (n 20).
[57] Ricardo Hausmann and Tim O'Brien, *Economic Complexity Briefing Book* (Harvard Growth Lab, May 2023) https://growthlab.hks.harvard.edu/files/growthlab/files/economic_complexity_briefing.pdf accessed 9 April 2025.
[58] HIPA, 'Invest in Hungary' https://hipa.hu/kiadvanyaink/ accessed 9 April 2025.
[59] Kratz, Zenglein, Brown, Sebastian and Meyer (n 2), 3.
[60] Kratz, Zenglein, Mischer, Sebastian and Meyer (n 4).

A shift can be found in the areas of Chinese investments. Whereas in 2023 the most sought areas were healthcare, ICT and consumer related fields, nowadays the focus is shifting towards renewable energy, including the construction and operation of solar panel parks. One area, however, continues to attract investors: the market for electric cars and battery manufacturers, which grew by 57% in 2024.[61] Hungary, as we will see later, is leading the way in EV related sectors, with the construction of the BYD EV plant in Szeged, and the CATL battery plant in Debrecen.

Chinese FDI is expected to decline by 2025 for several reasons. China is facing economic hardship with deflation. The economic difficulties compounded by the imposition of US tariffs and the outbreak of a trade war, which resulted in the imposition of tariffs that varied from week to week, and pushing Chinese companies to export their products. In addition, the United States with the Trump administration demands from the EU to de-couple, but at least derisk from China.[62] Legal scholars describe decoupling as discouraging imports to safeguard jobs and to protect civil and military infrastructure.[63] The EU is in worse position than the United States, as the European infrastructure relies on equipment's and raw materials from China, making the Member States de-risking instead of de-coupling.[64] On 30 June 2023, The European Council concluded the following regarding derisking from China:[65]

a) Continuance of being trade and economic partners;

[61] Ibid

[62] Pat Leahy and Jack Power, 'US to demand EU pulls away from China in return for cutting tariffs', (The Irish Times, 15 April 2025) https://www.irishtimes.com/politics/2025/04/15/briefings-suggest-eu-faces-choice-between-us-and-china/ accessed 22 May 2025.

[63] J. Stewart Black and Alen J. Morrison, 'The Strategic Challenges of Decoupling', (Harvard Business Review, May-June 2021) https://hbr.org/2021/05/the-strategic-challenges-of-decoupling accessed 18 May 2025.

[64] Csaba Moldicz, 'Hungary external relations briefing: Chinese direct investment and FDI screening in the European Union', (China-CEE Institute, February 2024) https://china-cee.eu/wp-content/uploads/2024/03/2024er02_Hungary.pdf accessed 10 April 2025, 5-7.

[65] European Council, 'European Council conclusions on China, (European Council of the European Union, 30 June 2023) https://www.consilium.europa.eu/en/press/press-releases/2023/06/30/european-council-conclusions-on-china-30-june-2023/#:~:text=The%20European%20Council%20continued%20its%20strategic%20discussion%20on,a%20partner%2C%20a%20competitor%20and%20a%20systemic%20rival accessed 11 April 2025.

b) Continuance to fight climate change and biodiversity, health and humanitarian assistance;
c) Reducing the EU's dependence on raw materials;
d) Upholding the rules-based international order, promoting and respecting human rights and fundamental freedoms.

The described above with addition of the tightening FDIS and FS Regulations are changing the dimensions of the inflow of Chinese FDI to the European Union.

4.1. Recently announced Chinese FDI projects in Hungary

The major Chinese FDI projects in Hungary can be categorized as follows:

1. Battery plants: CATL, Sunwoda Electronic, Eve Power
2. Electronic vehicle factory: BYD
3. Helthcare, consumer and ICT sector.

4.1.1. Battery plants

The Contemporary Amperex Technology Hungary Kft. has set up its first plant in Debrecen, Hungary. The 277,000 square metre plant, consisting of some 23 buildings, is worth more than EUR 7 billion and is designed to produce batteries, mainly for electric vehicles. The plant is operational since 2024, and the production of batteries has already started.

Sunwoda electronic is building a battery factory in Nyíregyháza, Hungary, with the plan to start producing and operating batteries by the end of 2025. The purpose of the EUR 250 million investment is to serve international customers and expand its foreign business. As the company stated in their stock exchange statement, the factory is expected to help increase the market share of the company and is "important for promoting the company's long-term stable development."[66]

EVE Power is setting up its first European plant in Debrecen, which will produce high-tech battery cells. Announced in 2023, the plant, worth more than HUF 400 billion, is expected to be operational by the end of 2025. Production will be climate-conscious, with reduced environmental impact and highly automated.[67] After starting the production, the plant will supply the German car manufacturer BMW, which factory is indeed located in Debrecen.[68]

These investments clearly demonstrate that it pays to pursue a policy of economic neutrality, as Hungary acts as a bridge between Western car manufacturers and Asian battery producers, in line with the policy of economic connectivity.[69]

4.1.2. EV investment

Notably, over two thirds (69%) of Chinese FDI were made in the EV sector in 2023, up from 41% in 2022. These investments contributed to the fact, that Hungary received a significant 44% percent of all Chinese FDI in Europe in 2023.[70] As a consequence, in December 2023, BYD, as one of the largest Chinese electric vehicle manufacturers, decided to establish an electronic vehicle factory in Szeged, Hungary. The EUR 7.5 billion worth factory will produce

[66] Carrie Hampel, 'Sunwoda to build battery plant in Hungary', (Electrive, 23 July 2023) https://www.evebattery.hu/news-1312 accessed 10 March 2025.
[67] Zsolt Czeglédi, 'Eve Power is building its first European plant in Debrecen', (The Debrecen Sun, 10 May 2023) https://debrecensun.hu/local/2023/05/10/eve-power-is-building-its-first-european-plant-in-debrecen/ accessed 14 April 2025.
[68] Daily Hungary News, 'Chinese EVE Power battery plant IPPC permit submitted in Hungary, (Daily News *Hungary*, 28 October 2024) https://dailynewshungary.com/chinese-eve-power-battery-plant-ippc-permit/ accessed 4 April 2025.
[69] Hungarian Investment Promotion Agency, 'Ismét áttörte a tízmilliárd eurós álomhatárt a magyarországi beruházásösztönzés' (*HIPA*, 16 January 2025) https://hipa.hu/hir/HIPA-2024-eredm%C3%A9nyek-beruh%C3%A1z%C3%A1s%C3%B6szt%C3%B6nz%C3%A9s-m%C5%B1k%C3%B6d%C5%91t%C5%91ke/ accessed 21 March 2025.
[70] Kratz, Zenglein, Brown, Sebastian and Meyer (n 2), 3.

and use globally advanced manufacturing equipment and automated processes to create a world-leading new energy manufacturing centre.[71]

Before the investment was announced, the EC launched an investigation on subsidised electric cars from China, determining whether EV factories in China benefit from illegal subsidisation and whether this threatens to cause damage to European car manufacturers.[72] After the announcement of the investment, the EU began examining whether the BYD plant at Szeged was built with unfair Chinese subsidies. The investigation is at a preliminary phase, and BYD, if found guilty of non-compliance with EU law, can face sanctions, such as additional tariffs on the produced vehicles.[73] In addition, according to the latest developments, BYD will establish its first European headquarters in Hungary.

4.1.3. The Budapest Belgrade railway project

In 2014, the agreement on the building of a 350 km long railway between Belgrade and Budapest has been signed by the Hungarian and Serbian Prime Ministers. Reducing travelling time from eight to four hours, it was one of the flagship projects of the Belt and Road Initiative in Europe. The construction, which was secured by Chinese state loan, faced difficulties between 2016 and 2017, as the EC launched proceedings against Hungary, suspecting corruption in the deal.[74] Notably, the railway project is still not functional, as the Hungarian part, 152 km, is to be completed by the end of 2025.

[71] BYD Europe, https://careers.bydeurope.com/ accessed 14 April 2025.
[72] European Commission, 'Commission launches investigation on subsidised electric cars from China', (4 October 2023) https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_23_4752/IP_23_4752_EN.pdf accessed 13 April 2025.
[73] Carla Westerheide, 'Did China subsidise BYD's plant in Hungary?', (Electrive, 21 March 2025) https://www.electrive.com/2025/03/21/did-china-subsidise-byds-plant-in-hungary/ accessed 28 March 2025.
[74] Tamás Peragovics and Ágnes Szunomár, 'The Great Connection – The Budapest Belgrade Railway Project and Its Significance for Hungary's Foreign Policy Identity' in *Asian Perspective* (Johns Hopkins University Press for the Institute for Far Eastern Studies Kyungnam University, 2024) 255.

5. Short- and long-term impacts of Chinese FDI in Hungary

To provide the reader of this thesis an insight into how various Chinese investments have contributed to the Hungarian economy, I interviewed Martina Almási, Director at the HIPA. Given that this Agency is under the Ministry of Foreign Affairs and Trade, and that it is specifically tasked with investment promotion, I found it purposeful to interview a representative of the Agency, who confirmed this in person:

"The Agency is a link between the private and public sector, and our role is specifically to encourage investment, for companies that are already in Hungary or are looking to expand."

The key insights from the interview help demonstrate the beneficial impact of Chinese investment on the Hungarian economy, showing the short- and long-term effects of these investments, as FDI is related to GDP growth, increasing of jobs and know-how transfer. The thesis is aware of the fact that most of the projects and plants are not yet finished or started producing / manufacturing, therefore, long term impacts are difficult to show. Nevertheless, there are some Chinese investment-based plants, which are already running. Such plant is the BYD electric bus plant in Komárom. Studies indicate, that, when the plant started functioning, only 20% of the components required to manufacture the buses were sourced from EU suppliers. Two years later, in 2019, this number rose to 50%, and 90% of the employees are Hungarian nationals.[75]

Among other factors influencing investors final decisions, the interview respondent highlighted the changing market conditions as the first factor, describing the changing global and European markets and how Asian investors can join the newly emerging system. Subsequently, the interview addresses focused on issues such as the geographical distribution of investments, their integration into the Hungarian economic regions and impact, and whether there is a strategic

[75] Kratz, Zenglein, Mischer, Sebastian and Meyer (n 4), 17-18.

alignment between investments. It then provides a comprehensive insight into the cooperation of investors from the region with Hungarian universities and the impact of the tightening EU rules on foreign direct investments and on foreign subsidies.

5.1. Changing economic circumstances

As previously stated, in 2024, the largest investors came from Asia, with China and South-Korea securing the top two positions, whereas previously, in 2022, Germany and Austria were in first places.[76] This is due to the fact that China has now become a global geopolitical player, gaining significant competitive advantages in various sectors, such as electric vehicles and battery production. The interview respondent confirmed that the emergence of these sectors in Europe was possible because Chinese companies first sold their products on the domestic market and then, due to the build-up of significant overcapacity, they tried to sell abroad, including in the EU. In addition, Chinese companies faced weak GDP growth and market competition at home.[77] She also stressed that for these companies to enter the international market, they need support from the Chinese state. The EU market is attractive to Chinese investors because it has a strong purchase power to buy up the Chinese overcapacity. Another important aspect is that China now has cutting-edge technology in the EV and battery market that European car manufacturers cannot compete with. This is why, as we will see in the following points of this thesis, cooperation is taking place, for example, between the cell manufacturer EVE Power and BMW, German car manufacturer in Debrecen. This leads to the conclusion that Chinese battery and electric vehicle investors have emerged in Europe because of European incentives. Despite this fact, at the end of 2024, the EU imposed significant countervailing duties on imports of battery electric vehicles from China for a period of five years, with duties reaching up to 17% in the case of BYD on the top of EU's standard car import

[76] Kratz, Zenglein, Brown, Sebastian and Meyer (n 2).
[77] Kratz, Zenglein, Mischer, Sebastian and Meyer (n 4), 8-9.

duty of 10%.[78] However, in April, 2025, the EU and China agreed to set minimum prices for Chinese-made EVs instead of tariffs, which will aim to achieve the same result as tariffs.[79]

5.2. Geographical effects

Based on data provided by the HIPA, the geographical distribution of FDI shows a significant diversity, as 82% of new investments are located outside of Budapest. This is a result of two main factors:

a) the so called near-shoring, which places production closer do destination markets; and
b) friend-shoring, which favours relocation to politically reliable and stable regions.[80]

The above-mentioned data was confirmed by the Director and explained the short- and long-term reasons for this. Currently Budapest is the most developed city in Hungary, with a development threshold of 75%, with investments based in services rather than production. As a consquence, when an investor contacts the Agency about a potential future investment, the Agency usually recommends smaller towns and cities.[81] There are two main causes for this:

1. Develop the countryside in Hungary; and
2. State and EU fundings, as these aids should be used in areas that need development.

Before deciding the final location of the investment, the Agency usually negotiates on what the investors have in mind, such as what is the main activity and strategy of the company, what kind of employees it will employ, will the system be manual or automated, and the most

[78] Press Release, 'EU imposes duties on unfairly subsidised electric vehicles from China while discussions on price undertakings continue', (29 October 2024) https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5589 accessed 24 May 2025.
[79] Reuters, 'EU, China will look into setting minimum prices on electric vehicles, EU says', (Reuters, 10 April 2025) https://www.reuters.com/business/autos-transportation/eu-china-start-talks-lifting-eu-tariffs-chinese-electric-vehicles-handelsblatt-2025-04-10/ accessed 14 April 2025.
[80] Joó (n 20).
[81] The agency also has a database of 2000 municipalities, which allows the agency to select the most suitable location for the investor. Regions and municipalities are categorised according to the level of development, and therefore, the theoretical maximum of such fundings is defined.

important: how the Hungarian small and medium sized enterprises can join the supply and logistic chain and what kind of environmental concerns does the investment have. After the negotiations, the Agency sends the location proposal to the investor. The aim is therefore to attract investors to less developed areas, which will create new opportunities, jobs and boost small and medium sized enterprises in the region in the short and long term.

Remarkably, a strategical planning can be found behind the locations of the Chinese projects. To highlight just one, the BYD factory, once completed, will connect to the logistical supply chain of the region, basically through locating the factory near to the Budapest-Belgrade railway project.

5.3. Research development cooperation

Since Chinese investments are bringing to Hungary high level of technology, know-how, innovation and professionals, it is essential that these investments establish a long-term relationship between the investor company and possible institutions. As the Director states:

„From the very first moment of the negotiations, we set the expectation for investors that they should be integrated into the Hungarian ecosystem, supplier network and educational cooperation opportunities."

Results are tangible, as the CATL and EVE Power battery plant started negotiations and cooperation with the University of Debrecen, and BYD with University of Szeged. Notably Huawei, which has already an expended business line in Hungary, has a tight partnership with the Széchenyi István University and Óbudai University. Of course, as foreign direct investments are market driven, a state as Hungary cannot oblige an investor to start cooperating with a university. The practice shows however, that it is in the interest of the companies, as they can rely on skilled Hungarian labour force in the future.

6. Conclusion

The aim of this thesis was to explore the short- and long-term impact of Chinese foreign direct investments, and to determine, whether the excessive FDIS and FS Regulations are going to hinder to EU's and Hungary's competitiveness.

The analysis found that the Hungarian legislation is stricter than what the EU legislation suggests: it creates a two-layer notification system with different thresholds applying in state of emergency. Despite the strict FDISR, the EU still wants to tighten the current rules, as it believes that Chinese investments can enter the European Single Market with significant state support, driving down prices and creating a significant competitive advantage for these companies. As a result, the adoption of new legislation is already under negotiation, in which the most significant provision is, that the EC can veto investments that it finds particularly harmful. In my view, it is particularly worrying if this legislation is adopted, as the ongoing de-risking and the influence of the United States can influence European policy makers. In addition, case law shows that the current FDIS and FS Regulations are effective in preventing distortive effects of harmful FDI and foreign aid, and therefore, in my opinion, they are operating efficiently.

The thesis also concludes by analysing current FDI trends, that Chinese investments are still flowing into the EU, with a 47% increase in 2024 compared to 2023. This outstanding figure suggests that Chinese investments can be driven by political considerations, in line with full compliance with national regulations. The EU new rules on FDIS thus risk these competitive investments from third countries by over-regulating them.

From the interview, it can be concluded that Chinese investments bring significant short-term benefits, including cooperation with universities, the integration of small and medium-sized enterprises into supply chains, job creation and know-how sharing, infrastructure development and growth. While there are some long-term benefits, such as high national employment and

GDP growth, it should be borne in mind that these investments may also affect strategic sectors which, if brought under foreign control or entering the Single Market, could pose a significant threat to economic sovereignty and fair competition.

Overall, the thesis concludes that the economic effect of Chinese FDI, especially in the short term, are not negligible, but it must be assessed by considering the fact that these companies enter the European Single Market with significant state support. At the same time, the regulatory framework in place seeks to protect these strategic companies through appropriate monitoring, investigating and notification system. It is important, that these mechanisms do not discriminate against Chinese investors and do not automatically lead to the exclusion of beneficial investment.

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