

Geopolitical and Goeconomic Position of Hungary within the “16 + 1”

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Abstract

The main purpose of the paper is to objectively analyze geopolitical and goeconomic position of Hungary within the China + 16 Central and Eastern European countries (“16+1”) framework of cooperation. We will do this by using the content method analyses, interviews with relevant experts in the field and approaches which stem from geopolitical and goeconomic thoughts. Primary data sources will be the official documents released and/or bilaterally signed by China, Hungary, European Union (EU) and the guidelines of the “16+1”. The second source will be academic and other publications that are related to the proposed subject. The paper shall consist of three parts. The first part will tackle Chinese reasons for pursuing multilateralism and regionalism in foreign policy, as a new understanding of security architecture, geopolitical balance of power, and goeconomic distribution of wealth. Inevitably, we must analyze the Hungarian perception of institutional and international order which China builds independently from the American one. The second part will tackle the process of ‘frameworking’ of the “16+1”. Analyzing the Hungarian position within the “16+1”, we will understand what kind of tools China uses to achieve its goals among Central and Eastern European Countries. Simultaneously, this can be helpful to see if and how China is imposing the “wall” in the Old continent. The third part will be dedicated to the Hungarian possibilities to use the trade and investment opportunities that China offers. Hungary, as an EU member state, must respect EU regulations which stipulate a different kind of business culture than pursued by China. In this part we will combine Chinese, Hungarian, V4’s and the point of view of the EU.

1. Introduction

The main purpose of this paper is to analyze the geopolitical and goeconomic position of Hungary within the mechanism of China + 16 Central and Eastern European countries (“16+1”). Analyzing this we will firstly understand the Hungarian perception of Chinese multilateralism and multipolarity. Secondly, we will understand if China boosts integration or a “divide and conquer strategy” in the Old continent. Amongst 16

European countries 11 are EU member states and 5 are in the process of accession. We will combine Chinese, Hungarian, V4's and the point of view of the EU, with the aim of making an academic conclusion. As noted by Tilman Pradt, threat perceptions are never unemotional but the result of a highly subjective estimate. They include expectations of future behavior and are therefore, like all prognoses, prone to individual misjudgments (Pradt, 2016, p. 2).

China's foreign policy is becoming more dynamic, vibrant, assertive, nationalistic, and more challengeable for existing international order. That is notable on two levels. Firstly, China on a daily level requires reformation of the institutions created and run by America. On the second level, China is creating parallel security and economic institutions, frameworks of cooperation and mechanisms guided by a different set of norms.

One of those parallel frameworks of cooperation is the "16+1" which China created amongst European states, including both European Union (EU) member and non-member states. Interpretations of this Chinese multilateral initiative are twofold. On the one side, the "16+1" has been interpreted as a tool of EU disintegration. Policy makers and academia claim that China will use its economic strength to reshape the geopolitical balance of power, security architecture and geoeconomic distribution of wealth in the Old continent. China will do that because it wants to revoke Sino-centric world order. Contrary, the history testifies that European countries colonized China and suborned it to unequal treaties. On the other side, there are insights that China, through gathering its bilateral relations with the Central and Eastern European countries into a multilateral framework of cooperation, offers new opportunities for enhancing people's living standard and quality of life. As we know, the EU still suffers the consequences of Eurozone debt crises, migrant crises, moral, social and security crises. In line with all these types of crises and with non-unanimous strategy and late reactions, the EU cannot offer the final and feasible resolution. With that in mind, China through many green field investments, loans and other financial tools is looking to maintain and reinforce the social stability of the EU. Simultaneously, Chinese companies gain the possibility to spread their financial surplus into more geographically dispersed baskets, including such attractive ones within EU, that, thanks to the debt crises, became more economically and politically accessible in the process of this "reverse FDI" process. In those acquisitions Chinese companies could gain unusual gains for the investors – to acquire the latest technology and managerial skills (Mitrovic, 2014, p. 22).

2. Chinese Search for Multilateralism

During the past, China was a closed state, in both political, i.e. security, and economic terms with unchallengeable respect for state sovereignty. In that context, its foreign policy behavior was, mostly, based on bilateral diplomatic relations. Furthermore, China was very suspicious regarding the purpose of multilateralism strategically created and conducted by the U.S. China started to change that kind of behavior after initiating the open-door policy, introduced by Deng Xiaoping (Mitrovic, 1995). This was the first step of Chinese integration, but only to a certain level, with the Westphalia international political and Breton Woods international economic order. In the first years of reforms and opening-up, China pursued bringing in strategy, as a tool for attracting foreign direct investments (FDI) and other financial packages. China's official political course in that moment was keeping a low-profile. But, after the Tiananmen incident, the Chinese Communist Party (CCP) leadership understood the following facts. First, Chinese domestic security and communist legitimacy are vulnerable. Second, its economy is not feasible and based on real assumptions. In that context, for China, it was urgently needed to change two mutually complementary perceptions. First was the perception of international affairs. Second, the perception of its position within these kinds of affairs. Instead of the abovementioned bringing in strategy, China started to pursue going out and to demonstrate its capacities regarding relational and structural power (Mitrovic, 2008; Strange, 1994). China started to be more vociferous and visible within the international institutions created by America, especially in the International Monetary Fund (IMF) and World Bank. Apart from that, China is investing a lot of resources, with the aim of establishing parallel international order, guided by a different set of norms. According to Professor Dragana Mitrovic, Ph.D., China started to create parallel order, paths and fora and mechanisms for global governance, because it faced opposition from Washington and obstructions to power sharing (Mitrovic, 2018, p. 19). In that context, multilateralism as a new trend of China's foreign policy could be viewed from the following angles. Firstly, multilateralism is a strategy of economic development in the era of globalization. Globalization is recognized by Chinese officials as one of the main features of the contemporary world. In that context, China intentionally and eagerly seeks multilateral channels as effective venues for gaining economic benefits under the new background of globalization and provides a new observation that China's participation in regional security multilateral mechanisms is also often economics-oriented for serving China's ambitious plan to economically "rise" (Lansdowne – Wu, 2008, p. 9). Secondly, multilateralism is a convenient balance against the hegemonic power. Multilateralism is here directly merged with China's effort on the promotion of the multi-polarity of world politics. In China most civilian and military analysts see the

rise of multi-polarity as the “greatest check on the US quest for hegemony,” so too, with multilateralism (Lansdowne – Wu, 2008, p. 10; Ministry of National Defense of the People’s Republic of China, n.d.). Thirdly, multilateralism is an image-improving measure in international society. The ideological and political uniqueness, not just during the post-Cold War world, but as well during the longer history, costs China much in international relations. Beijing, therefore, makes much effort to improve its international image, particularly as a “responsible” member of international society, which will not seek hegemony. Officially Beijing, understands that suffers from lack of soft power. As it has become fully aware of the point that such an image can be crucial in this world of growing globalization to attract foreign resources, materials and beyond, to serve both the survival of the authoritarian regime and the economic development of the Chinese nation (Lansdowne – Wu, 2008, p. 11). Last, but not least, multilateralism is an effective venue to address security issues, particularly regionally. (Lansdowne – Wu, 2008, p. 11). Michel Yahuda argues three reasons why China became advocate of multilateralism. First, the continued emphasis on stability and economic development at home; second, the emergence of a less hostile international environment that was more welcoming to China’s integration in the international economy; and third, the experience of multilateral consultative security arrangements in both continental and maritime Asia (Yahuda, 2003, p. 190). It is understandable that through multilateral frameworks of cooperation, arrangements, deeper networking of bilateral relations and fora China is trying to create convenient and suitable environments on regional, international and institutional levels, underlining interconnectedness between economy and security. Still there are many doubts to be answered regarding to what extent China’s multilateralism will be bidding for states participants if we know that officially Beijing based its foreign policy on Five principles of peaceful coexistence? However, stable environment is needed for China to accomplish Two Centenary, China Dream if it wants to sustain communist legitimacy. Consequently, Chinese leaning towards proactive and constructive multilateralism, cannot be considered as a kind of ad hoc, short-term reaction to outside stimulus. It also reflects its overall assessment of the nature and trends of the international system and the international environment, its evolving concepts of national security, and its deepening understanding of the function of multilateral diplomacy under new circumstances (Wang, 2005, p.160).

The question is why China has chosen to multilaterally gather Central and Eastern European countries? Junbo Jian argues that creating the “16+1” does not mean that more natural resources such as oil or minerals have been found in the Balkans (although these resources are now necessary to feed China’s growing economy) or that the Balkan market has suddenly enlarged; instead, it means that the two sides have

found more common ground for enhancing their relations. For China, the Balkans, like a bridge, are becoming increasingly important for promoting Beijing–Brussels relations and bolstering the new Silk Road initiative. For the Balkans, China is increasingly becoming one of the key investors for their economic development (Jian, 2018, p. 242). According to Ágnes Szunomár when some of the countries of Central and Eastern Europe (CEE) became members of the European Union, China developed an interest in strengthening ties with the region, attracted by CEE’s dynamic, largely developed, and less saturated economies directly connected to the EU common market. China chose this region because CEE countries have dynamic, largely developed, less saturated economies, which are directly connected to the EU common market. Chinese corporations can cut their business costs significantly in the CEE countries and become integrated into the EU industrial system, but with less political expectations and fewer (or more silent) economic complaints compared with Western Europe. Of course, Beijing’s growing interest toward CEE markets cannot be disconnected from some longstanding political and economic goals of China, such as ending the EU arms embargo and granting market economy status to the PRC. (Szunomár, 2018, pp. 71-77). Consequently, China is trying to give to the Central and Eastern European Countries the “hub shape” within its going out strategy and to avoid possible misunderstandings with the EU (Stevic – Popovic, 2018). With similar insights provided us by Professor György Iván Neszmeélyi, Ph.D., declaring the following, because of the membership in the EU and the Single Market, access to these countries’ means access to a market with around 511 million people and circa 20 million firms. Proximity to the main European markets (Germany, France) makes assembly in this region and then transport of these goods easy. The simple fact that Central Europe lies between Western Europe and China, makes the region more important than its economic power would suggest. In contrast to Russia, China doesn’t have any political disputes and geopolitical conflicts with Hungary and other Visegrad four countries (Neszmeélyi, 2019). In that context, it looks more realistic to conclude that China is using every open door to enter the EU, but also European market as a whole, as another global economic partner (Mitrovic, 2014, p. 20). Apart from obvious economic “because”, Gabriela Pleschová puts the light on the next four reasons: a. a tradition of perceiving this region as being distinct from other parts of Europe; b. China’s impression that CEE is still different from the rest of Europe; c. difficulties pertaining in EU–China relations in general; and d. global economic crisis and China’s plan to curb the crisis through the New Silk Road initiative (Pleschová, 2015, p. 20). Moreover, with the aim of discovering the Hungarian geopolitical and geoeconomic position within the “16+1”, we shall analyze and disclose the Hungarian perception of China’s global aspirations. From our point of view, it will be useful to start with the fact that Hungary is the first European country that signed, with China, the Memorandum of Understanding (MoU) on promoting the Silk Road

Economic Belt and the 21st Century Maritime Silk Road. The MoU was signed on June 6, 2015, when China's Minister of Foreign Affairs, Wang Yi, paid an official visit to Budapest.¹ According to the Wang Yi, China is now speeding up its opening-up to the west, while Hungary is now pursuing the "opening to the East" policy, therefore, the Belt and Road will more closely link China and Hungary (MFA, PRC, 2015). Likewise, China and Hungary signed more MoUs. One of them is on joint funding to research and development projects. The MoU was signed at the Thematic Session on People-to-people Connectivity of the Belt and Road Forum for International Cooperation on the afternoon of May 14, 2017 (MFA, PRC, 2017). Another one was signed in May 2015 on nuclear energy cooperation. Furthermore, Hungary follows the one China policy, i.e. officially Budapest refuses to meet on the governmental level with diplomatic delegations from Taiwan or Tibet (Kugiel, 2016).

Consequently, the Hungarian perception of the Chinese impact on global governance and economy, represents the Hungarian Opening to the East policy introduced by Orban administration, after the Hungarian famous "NO" to the IMF, in 2010.² The Deputy Minister of Foreign Affairs, Zsolt Németh, explained Hungary's movement toward Asia as the result of the eastern continent's growing global significance; he noted, "the future of the world economy and politics seems to be increasingly inclined to Asia, therefore both Hungary and the European Union should consider deepening relations with this region as their primary interest" (Kačan, 2012, p. 60; About Hungary, 2018). According to some, Hungary's relationship with China is at the heart of the "Opening to the East" policy, that is, it was created especially because of China. While there are many other countries involved, surely there can be no successful eastward opening without somehow winning China over and making it a strong ally in the future (VPost, 2018). Those who were critically oriented regarding Hungarian Eastern policy, accentuated political influence and pressure that China might exert on Orban's manners of ruling the country. Hungarian liberals emphasized that China can promote the development of authoritarian political processes, because instead of value oriented foreign policy, officially Budapest selected *realpolitik*.

¹ Here we have to be very cautious because China during the Suzhou summit signed the same MoUs with Poland, Serbia, the Czech Republic, Bulgaria and Slovakia (Tiezzi, 2015).

² This represents a great step in boosting relations between China and Hungary, if we know that Orban has been organizing protests against the Tiananmen Square issue.

3. 'Frameworking' of the "16+1" Framework of Cooperation

The "16+1" framework of cooperation is a part of Chinese endeavors to enrich or burden international order with Chinese characteristics. Simultaneously, it is a part of China's broader geopolitical, geoeconomic, cultural and security strategy known as Belt and Road Initiative (BRI). Before analyzing summits organized by the "16+1", we have to accentuate that this framework of cooperation could not be regarded as institution guided by, allegedly, strict and undisputed EU regulations. On the contrary, it is guided by loosen regulations, non-binding guidelines, allegedly equal partnership and comprehensive and omnidirectional cooperation. The aforementioned features of the "16+1" provide us with the conclusion, that China is still searching for a feasible form of multilateralism which will be in line with its Five principles and creating convenient international environment.

During 2009, Xi Jinping, then China's vice-president paid visits to Belgium, Germany, Bulgaria, Romania and Hungary, spending the most time in Budapest. This tour was characterized as a visit to consolidate and develop cooperation in economic relations between China and the five countries, but Xi's visit to the CEE countries told more about China's evolving "go-out" investment strategy, indicating that the Chinese are eager to accelerate their diversification strategy through the emerging countries in the region (Szunomár, 2018, p. 76). Three years after, in 2012, Warsaw hosted the first summit of the "16+1". During the summit, Wen proposed 12 measures and USD 10 billion for, primarily, infrastructural development. Although, they were announced with very vociferous fanfares, concrete steps and gigantic results are still lacking. China established a Secretariat within its Ministry of Foreign Affairs, while "European 16" established or, is still establishing sub-mechanisms for achieving the objectives of the "16+1".

The second summit was held in Bucharest on November 26, 2013. As it was the first summit cooperation was emphasized in many areas, such as economy, finance, clean energy (wind, solar, nuclear, hydro), people-to-people exchange, road infrastructure (China-CEEC, 2013).

The third summit was held in Belgrade on December 16, 2014. During the summit China's Premier, Li Keqiang, pledged USD 3 billion to be injected with the aim of Central and Eastern European development. But, the main proposal of the Belgrade summit was Belgrade-Budapest high-speed railway, financed by China Railway Corporation. According to Li, this railway will link the Greek seaport of Piraeus in the south and Budapest in the North, stringing in the Macedonian capital of Skopje and

Belgrade. The land-sea express passage will further link the Mediterranean and the Danube (Cooperation between China and Central and Eastern European Countries, 2014). According to the official statement of Péter Szijjártó a double track will be created, and the railway line electrified as part of the project. Furthermore, implementing the project will enable goods trains with the heaviest axle loads to use the new track, and for passenger trains to travel at speeds of up to 160 km/h. It is estimated that it will take two to two and a half years to construct the track (Hungarian Government Website, 2015; Reuters, 2017). As the first cross-border project within 16+1 financed by Chinese capital, under business practice diverse to the European, it attracted a lot of attention not just of policy makers, but academia and citizenship as well. Also, by implementing this railway project, China will further facilitate its export to the European market. The EU has succeeded in postponing the construction of the proposed railway, due to the geopolitical, security, geoeconomic, business, administrative and reasons of transparency and procedures.³

The fourth summit was held in Suzhou on November 24, 2015. As well, in Suzhou guidelines the participants expressed their support for further infrastructural, financial, agricultural, energy, and cultural cooperation (China-CEEC, 2015).

The fifth summit was held in Riga on November 5, 2016. According to the Riga Declaration and the Ministry of Foreign Affairs of Latvia, the biggest attention was given to further infrastructural development and interconnectivity amongst Central and Eastern European countries. This time the focus was on development of ports. In that context leaders attending the meeting (hereinafter referred to as ‘the Leaders’) reaffirmed their support for the cooperation initiative involving the ports in the Adriatic, Baltic and Black Sea and along the inland waterways (hereinafter referred to as ‘Adriatic-Baltic-Black Sea Seaport Cooperation’), which was put forward by Li during the 4th China-CEEC Summit in November 2015. The leaders point out that Adriatic-Baltic-Black Sea Seaport Cooperation would help widen the scope of China-CEEC practical cooperation, promote sustainable development in the long run, and contribute to greater synergy between the Belt and Road Initiative, development strategies of CEECs and the EU’s Trans-European Transport Network and the EU Danube Strategy (Cooperation between China and Central and Eastern European Countries, 2016). Furthermore, during the summit, the first freight train from Yiwu, dynamic

³ Furthermore, China has been criticized by leftist that it is not respecting human and labor rights. For example, in 2011, a worker interviewed by US Radio broadcaster NPR told reporters, workers were told by supervisors to urinate into the sea, rather than taking toilet breaks. Those operating straddle carriers had to take cups up into their cabins to urinate into, and he says they were not given breaks, either, despite the clear dangers of operating at such a height for so long (Vassilopoulos, 2014).

manufacturing center in east China, arrived in Riga. He Lifeng, deputy head of China's National Development and Reform Commission, stated that the recent boom in China-Europe rail freight routes had made steady progress in the implementation of the China-proposed Belt and Road initiative. The Belt and Road initiative aims to build a trade and infrastructure network connecting Asia with Europe and Africa along the ancient Silk Road routes. Since the Initiative began to take shape, over 2000 trains have travelled from China to Europe along some 40 lines (Xinhua, 2016; Xinhua, 2018). Yiwu-Riga is not the only train that connects China with Europe.⁴ In line with the abovementioned the Adriatic-Baltic-Black Sea Seaport Cooperation and the explosion of railway traffic, China wants to construct pan-European infrastructural grid, connecting water, air, and ground traffic, as one of the BRI's goals.

The sixth summit was held in Budapest in 2017. During the summit win-win cooperation, protecting environment, cooperation in energy, tourism, technology, agriculture and good relations between China and EU, were reemphasized.

The latest summit was held in Sofia on July 7, 2018. The Summit was named "Deepening open and pragmatic cooperation for inclusive prosperity". Still, it is not clear what type, form, structure and under whose auspices the inclusiveness should be achieved. The guidelines reaffirmed that the "16+1" constitutes an important positive impetus for establishing balanced relations between China and the EU. This perception was presented by Song Tao in 2012, when he pointed out that China-CEE cooperation is an important part of China-Europe relations. The increasing pragmatic cooperation between China and CEE countries will help to improve the size and quality of China-Europe cooperation, will benefit the development of China-Europe relations in a more comprehensive and balanced manner, and will help Europe to overcome the current difficulties (Embassy of the People's Republic of China in the Kingdom of Denmark, 2012).⁵

⁴ Besides the abovementioned freight trains, there is to Poland, Germany, Madrid, and London freight trains (Poland-in, 2018; China Daily, 2018).

⁵ Here is very important to accentuate that the EU, expressed great interested in working of the "16+1". For example at the Suzhou summit EU representatives such as EU Ambassador in Beijing, Ambassadors of Greece and Austria and representatives from EBRD were presented as observers. The other level was EU's strong interest into the preparation of the Summit through the acts of the member states, especially the Baltic States, although it remained unclear whether it was more their autonomous positioning ore one encouraged by Brussels. Notably, the Baltic States initiated "EU+16" narrowed preparation meetings in Beijing, before commonly agreed platform would be shared with the Chinese side. Such approach was not comfortable to the non-member states which benefit from their status (Mitrovic, 2016, p. 9).

During the Sofia gathering, the focus was on custom procedures which exist among China and Central and Eastern European Countries, China and the EU. Changing custom procedures, will allow China to be able to reach faster and easier the vibrant Western European markets. This is why, in the Sofia Guidelines we can read the following lines, China and the CEECs that are Member States of the EU will cooperate within the structures of the EU-China Agreement on Cooperation and Mutual Administrative Assistance in Customs Matters and of the EU-China Strategic Framework for Customs Cooperation. Eligible CEECs are encouraged to take part in the China-EU Smart and Secure Trade Lanes Pilot Project. China and CEECs are ready to further strengthen cooperation in customs clearance facilitation. The cooperation in customs between China and CEECs will take place within the constraints of their respective competences (MFA, PRC, 2018).

Chinese efforts to be presented amongst Central and Eastern European Countries, can be perceived as China's efforts to (ab)use them in creating better position towards a competitive EU market, surpassing high standard procedures, and anti-dumping measures. As it can be seen, for China the Central and Eastern European countries are becoming increasingly important for promoting Beijing-Brussels relations and bolstering the New Silk Road initiative (Jian, 2018, p. 242). The tools that China uses in this process are economic power, vociferously announced projects, which are, by some EU member states and further, obstructed in achieving results. Besides their economies, Central and Eastern European countries are very important in security terms for the West. Namely, this is the main NATO, (i.e. American), hub for exerting the control over the Eastern hemisphere as well. Thus, policy makers and academia have raised the question of whether China is imposing a Great wall in the Old continent? The answer to that question we will try to provide by analyzing the proposed Budapest-Belgrade high speed railway, including *pro e contra* arguments.

Professor Battisti states that basically, the Chinese are highly pragmatic; ideology is a merchandise they sell mainly in the internal political market. It is a tool they are ready to exploit, and they did it in the past, but only if it offers them the chance to enter closed economies and strengthen fruitful relationships. The unorthodox political mood in today's Hungary is somehow inviting the Chinese resourcefulness. On the other hand, don't forget the deep association between American and Chinese enterprises and the political interests of the US in the country (Battisti, 2019). Brussels is afraid that China's infrastructure projects within the "16+1" will challenge the EU position in preserving the 'controller position' of geopolitical trends, regional power relations and geoeconomic distribution of wealth in Central and Eastern European space. This could be the reason why, ostensibly, Brussels so loudly criticized the

Belgrade-Budapest railway. From the EU point of view that represents the main risk of dictating the conditions to become an EU member state. According to Sigmar Gabriel, China's rise will result in a massive shift in the balance of power. The initiative for a new Silk Road is not what some people in Germany believe it to be—it is not a sentimental nod to Marco Polo, but rather stands for an attempt to establish a comprehensive system to shape the world according to China's interests. Powers such as China and Russia are constantly trying to test and undermine the unity of the European Union (Federal Foreign Office, 2018).

On the contrary, the Chinese will to be involved in European infrastructural development and interconnectivity is positively perceived as well. One example is that the EU, troubled by many crises, can use Chinese determination to invest in such projects to facilitate the Pan-European Corridor 10 plan. The route of the Hungaro-Serbian HSR, as well as most of the other railway and road projects, support Corridor 10, a part of the network of ten planned pan-European transport corridors. China's willingness to finance and deliver these projects provides opportunities for CEE countries, especially Serbia and Hungary, to keep their economies afloat and complete strategic development projects that the EU has so far neglected. CEE countries, whose economies largely depend on cash inflows from the EU that have dried up since the onset of the Global Financial Crisis, view these projects as a valuable opportunity to close the infrastructure gap with Western Europe, and thus become more competitive with Europe and the rest of the world (Pavlicevic, 2014). Furthermore, Sofia Guidelines of the 16+1 reaffirms Chinese eagerness to cooperate with EU in enhancing infrastructural interconnectivity of poorer countries, with the aim to further boost the integration process of the EU (MFA, PRC, 2018).

Although, Hungary introduced its policy Opening to the East, it is still pursuing the strategy of balancing between east and west, because if everyone is economically in the same boat, then if China goes up, everybody goes up and if China goes down, then everybody goes down (Shepard, 2016).

4. Hungarian Search for its Possibilities between China and EU

Hungary, similar to the other “European 16”, wants to become an economic, and political hub between east and west, especially after 2013, when Xi Jinping announced BRI. According to the Hungarian Investment and Trade Agency (HITA) the enterprise has a double strategic role: on the one hand, it is going to be the epitome of cooperation between the Central European region and the West Balkans; on the other hand, it will

strengthen Hungary's efforts to become the main transit country of Chinese goods in the direction of Western Europe (Zsamboki, 2014). Notwithstanding, Hungary is not the only state from the V4 or wider "European 16", which is striving to become a hub between the west and the east. For example, Poland in 2008 started the Go China Policy. Also, Poland is the only European founder member of the Asian Investment Infrastructure Bank (AIIB), which was additionally supported by many bilateral agreements in sport, aerospace, culture, security, and economy.

However, the Hungarian position to use the possibilities, primarily economic, offered by China is shaped by EU regulations, business practice and standards. Hungary has a multi-layered identity. Hungary is an independent state, member of the EU and Visegrad group and close a Chinese partner. The EU is looking on Hungary's Eastern policy through a Cyclops eye. But from the other side, at the end of September 2015, the EU agreed to include China within the EUR 315 billion European Investment Plan. China, hence, became the first non-European country to be included in this EU plan (Jankovic, 2016, p. 9). The EU decision to include China in its investment policy plan, could be perceived as a Brussels' endeavor to reconfigure Chinese investment, economic and trade policies in line with Europe or as paradoxical EU behaviour. At the same time Western European states decided that they have to be more focused on the "16 region", with a special leaning towards the Western Balkan countries. In a speech on September 12, German Foreign Minister Heiko Maas told the Bundestag: It's important that we offer these [Western Balkan] countries a European perspective, and a reliable one, because otherwise they will turn to other countries, such as China. In a speech on the same day, European Commission President Jean-Claude Juncker told MEPs in Strasbourg, we must find unity when it comes to the Western Balkans—once and for all (...) should we not, or our immediate neighborhood will be shaped by others (MERICS, 2018a). It is becoming obvious that the EU would be very agile in preserving its *primus inter pares* position amongst the "European 16". The perpetuation of geopolitical and geoeconomic position of the EU amongst "European 16", represents the position of Germany which has vast interests in this region. According to the IMF, Germany amongst Central and Eastern European countries has created a "German-Central European Supply Chain Cluster". Namely, Germany, also, (ab)uses their cheap and qualified labor to produce and then re-export to the Chinese market.

Although China represents one of the major V4's economic partners, there are a myriad of risks, doubts and challenges in cooperation with China. Namely, Polish Institute of International Affairs through its survey demonstrated that China appears to be the most important partner for the Visegrad countries. This is reflected by the biggest trade volumes of the group and intensified political dialogue. Relations

characterized by ideological differences and criticism of China's human rights records for much of the 1990s have undergone a remarkable shift in the early 21st century towards a more pragmatic approach now driven mainly by an economic agenda. There are also no major differences between the Visegrad members' policies towards China. The main risk for the V4 countries is their competing economic interests, especially with regards to attracting Chinese investment and increasing exports to the Chinese market (Kugiel, 2016, p. 40). But, all the V4 states record a tremendous deficit in trade relations, from as high as 1:9 for Poland to 1:3 for Slovakia. Hungary has not been the exception of this trend, although officially Budapest was very active in supporting China to obtain market status economy or lifting the arms embargo.

Hungary and China have renewed the bilateral currency swap agreement for a further three years with a maximum value of RMB 10 billion (Central Bank of Hungary, 2016). According to the Eurostat, during 2017, Hungary imported from China goods in the value of USD 374.6 billion, which consists 20 percent of the total Hungarian import. On the other side, Hungary exported to China the goods in value of USD 198.2 billion, which consists 11 percent of Hungarian export (Eurostat, 2018). It is becoming questionable, if China really helps the process of EU integration, social stabilization and economic development, if the poorer EU states suffer from a trade deficit with China. China should open its markets more, invest more, and cooperate with the EU in order to fully respect its standards. Regarding the last criteria, the EU created great potential to exert pressure on China, due to the EU-Japan economy agreement. Contrary, Italy as an important economy and political factor of the EU member states, signed the MoU on BRI with China. This Italian maneuver further undermined the EU perception of China.

Chinese investment in Hungary was about USD 3 billion by 2014. It is true, however, that the majority of Chinese investments are connected to some big deals, not a number of smaller ones. In addition to infrastructure, Chinese businesspeople are active in other areas. Chinese enterprises mainly target IT and telecommunications sectors in Hungary through main investors ZTE Corporation, Lenovo or Huawei (which recently decided to open a distribution centre for Europe in Hungary).⁶ Sectors such as electronics are also popular (Hisense), as well as research and development, chemicals (Wanhua Group in Miskolc, BBKA's citric acid factory in Szolnok), and the mechanical industry (Canyi's European centre for lamp production) (Kugiel, 2016,

⁶ Regarding Huawei, Hungarian Government has been in very difficult position due to the American interest in controlling G5 network and tried to undermine Hungarian sovereignty by imposing logic or America or Huawei.

p. 48). Simultaneously, many of these investments saved jobs, and became international hubs of new the Chinese international role and global influence. That helped to enhance the Hungarian investment position. Although Hungary was the first country to open a branch of the Bank of China, Bilingual Chinese-Hungarian Primary School in Budapest in 2004, the Hungarian season exposition was held in China in 2008, and two countries in 2017 signed Comprehensive strategic partnership, and Hungary Exim Bank contributed with USD 30 million to the China-CEE Investment Fund of USD 500 million, Chinese investments are still at a very low level. As noted by Tamás Matura, the lack of major Chinese direct investment inflows is in sharp contrast with the fact that Budapest enjoys relatively high Chinese political attention and that among all central European countries, Hungary has the largest population of Chinese diaspora. Although officially Budapest implemented in 2010 'Opening to the East', there are no new, tremendous Chinese investments. Even though many announcements have been made and many cornerstones have been laid, there are very few tangible achievements, and even those are investments in the range of a few million dollars (Matura, 2018). But on the other hand, Hungary has to be very cautious regarding Chinese investment, because it has to avoid violating EU regulations. One example represents, the Malev airport, after its collapsing in 2012.

While China does not challenge the EU and American geopolitical and geoeconomic leverage and position of control of cordon sanitaire (Central and Eastern European Countries), the West is fine with Chinese investments. As soon as China offers the possibility to reshape or connect focal or bridge points of landlocked Eurasian landmass, Chinese investments do not follow international standards. Does Mackinder's theory of buffer states and the fear of controlling the Eurasian landmass by some other state regain importance?

5. Conclusion

Firstly, it can be seen that for China, the region represents vibrant, dynamic, enough developed and saturated markets, and a new hub for Chinese export and regulations of overcapacity in steel, and cement industries and labor. Wang Wei underlines, because the CEE countries generally have high quality labor, the cost of investment is low compared to other areas. The laws and regulations are relatively sound. There is a great need for roads, railways, ports, power plants and other infrastructure construction, which makes those good areas for Chinese expansion (Wang, 2014). Furthermore, cooperation with China is, unlike with major Western powers, on an equal footing, with no subordinating treatment nor humiliating preconditioning. In that sense, too, all

countries of the region are feeling very stimulated to deepen cooperation with China, although in some of them there were concerns that such development could harm their close ties with countries that paradoxically have China as a high priority global partner (Mitrovic, 2014, p. 26).

The blueprint of China's bilateral relations with Budapest suggests that officially Beijing has not been interested in becoming an alternative for disobedient EU states, but rather seeks to engage with stable and well-integrated countries. The EU may as well be concerned with the growth of bilateralism between individual Member States and large external powers; however, the Sino-Hungarian relationship reveals that it is the maintenance of good relations with other EU states that makes a country attractive to Chinese investment (Kačan, 2012, p. 69). In that context, the geopolitical and geo-economic position of Hungary within 16+1, is not dramatically different, compared to the V4 or the wider "European 16". In the opinion of Professor György Iván Neszmélyi, Ph.D, the reason why Hungary doesn't differ from other V4 countries too much, is that long-term economic and political conditions of the Central European countries are the real factors shaping the geopolitical and geo-economic motivations of these countries and these are quite similar (Neszmélyi, 2019).

Nevertheless, China, also, for each European member state says that it possesses the crucial hub position, firstly between China and EU, and lately within the BRI. China's approach also determines the strategies of the "European 16" and often produces relations of competition rather than cooperative relations (Mitrovic, 2014). Gabriela Pleschová noticed the same issue stating that, the major challenge, however, remains the same both for the CEE and the EU platforms: how can they overcome the differences in member states' interests in relations with China, when member states often choose to act more like competitors than partners? (Pleschová, 2015, p. 26)

Regarding infrastructural projects, and Chinese endeavors to enter deeper into the European backyard, some of the EU reactions are understandable. Once the alternative transport routes are completed China will be in a more favourable strategic position, China will have more and more alternative transport routes, be more able to reach their target markets easier and faster and will be able to work off some of the industrial overcapacities accumulated in recent years. In addition, these projects may provide a reference for further Chinese investment in the broader region, especially in the more developed part of Europe (Szunomár, 2018a). The EU reacted so fiercely regarding the Budapest-Belgrade railway, but that kind of reaction was excluded regarding other interconnectivity projects which China is constructing directly to the EU family. Professor Battisti for those EU reactions, states that the two cases are quite different.

The Budapest-Belgrade project is internal to the EU. It would strengthen the partnership between two neighboring nations and this could trigger a drift inside the Union. Hungary is positioning itself as a “sovereignist” country, Serbia is a candidate to the Union but maintains strong ties with Russia and at present in Brussels they are exerting pressure on Belgrade to profit from its economic weakness. From the political side, once both countries have a high-speed connection, we would experience a new territorial recomposition in Eastern Europe, inverting the trend initiated with the fall of the Soviet empire. The Union would possibly have to face within its borders a new center of power and this perspective is unacceptable to the winners of the two world wars who control the Union. As for “One Belt, One Road”, the rail connections are mainly an alliance of railway societies, the new railway sections to be built are generally outside the reach of the EU. It is a matter of cooperation, of commercial agreements that may be broken at any time and do not imply the birth of new dominant positions. For the time being, moreover, the project is largely a paper one, no binding treaty has been signed. In the long run, should the railways avoid the maritime dominance of the Atlantic powers, the access to the Union would be certainly denied. The Mackinder doctrine is still in force (Battisti, 2019). Although, China and the EU signed EU-China Interconnectivity platform and strategy (separate documents), they still have different interpretations of the same terminology – interconnectivity. Furthermore, Chinese geopolitical and geoeconomic involvement in Hungary will not radically reshape the financial, trade relations and security architecture of the EU. Nevertheless, although Hungary represents the biggest receiver of Chinese investments amongst the other “European 16”, when compared to Chinese investments in Western Europe, it represents small account. According to the MERICS data in 2017 the top five European destinations of Chinese investments were the UK (42.2 percent), Germany (20.6 percent), France (12.4 percent), Italy (13.7 percent) and Netherlands (9 percent) (Hanemann – Huotari, 2018). On the one side, both China and the EU will not seek to jeopardize the EU-China Comprehensive Strategic Partnership. On the other side, the upcoming global geopolitical, geoeconomic and geostrategic competition and the world uncertainties will, surely, affect not just the future of China’s foreign policy, but American, EU (Germany), and Russian too. This will, as it has been confirmed by many geopolitical theories and events, affect Central and Eastern European countries.

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