

CHINA IN CENTRAL AND EASTERN EUROPE

PANEL 17 - THE RISE OF CHINA AS A

TECHNOLOGY SUPERPOWER -

WHAT DOES THIS MEAN FOR EUROPEAN JOBS?

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MAIN POINTS

- 1 **The share of China is *higher* in CEE** than previously thought due to indirect FDI
- 2 CEE: **relatively important target of Chinese FDI** in the EU (but missing data...)
- 3 But **political** sensitivities/motivations, thus the CEE region remains of secondary importance
- 4 **Technology and knowledge-intensive** FDI: motivation in CEE mixed, some knowledge-intensive, but still the main motive is **market-seeking (combined with export-platorm)**

REAL SHARE OF CHINA IN CEE FDI

- ◉ New databases: BPM6 and BD4 - data on the ultimate investor country (as opposed to the immediate or direct investing country)
- ◉ **Indirect FDI**: the utilization of affiliates abroad as intermediaries for investment in third countries for different reasons
- ◉ **A large part of Chinese FDI in CEE is indirect, thus not recorded in BPM5**

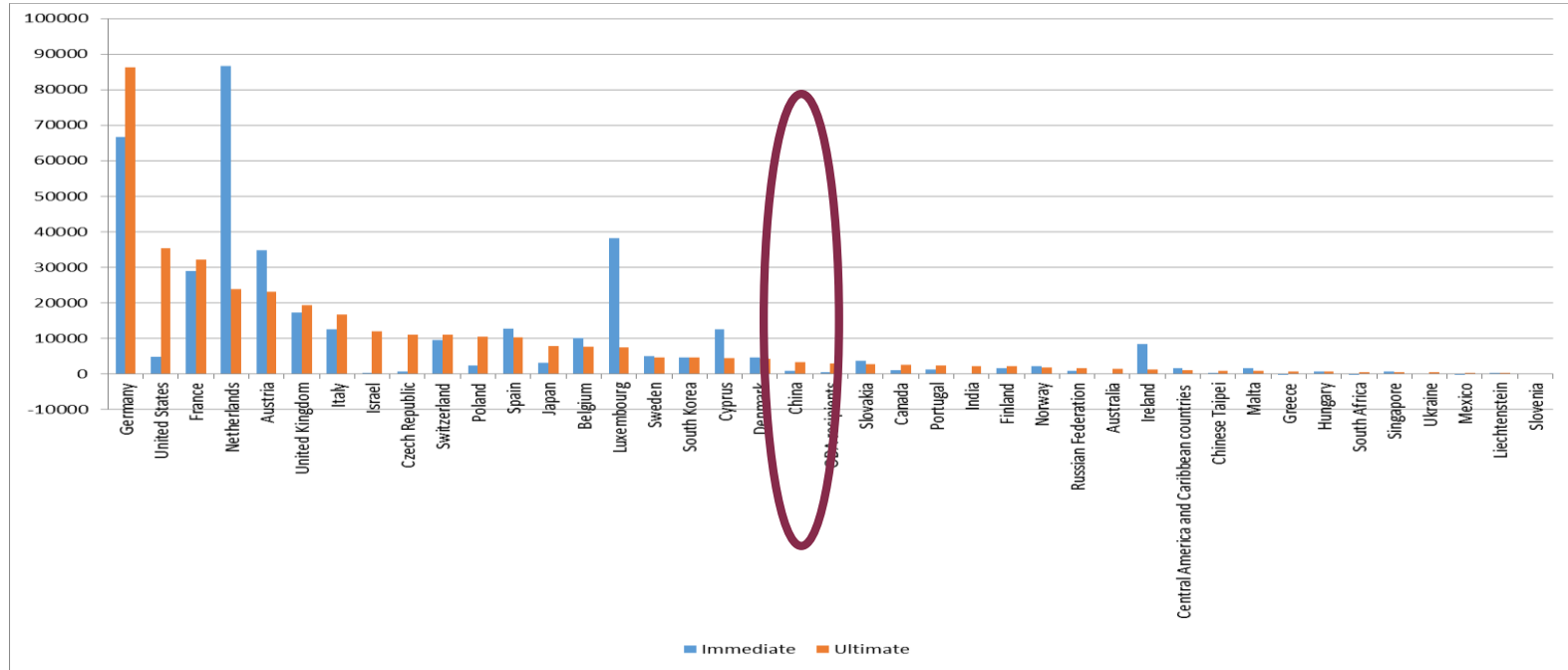
Problems with the new databases:

- ◉ Available for a few countries only;
- ◉ For inward FDI only (no mirror comparison);
- ◉ Problematic cases are assigned to the immediate investor.

WHAT DOES THAT MEAN?

Name of the Hungarian subsidiary	Parent company	Nationality of the ultimate investor company	Nationality of the immediate investor company
Huawei Technologies Hungary	Huawei Technologies Investment Co. Limited and Skycom Tech. Co. Limited	Chinese	Dutch (100%)
Yanfeng	Shanghai Automotive Industry Corp.	Chinese	UK (100%)
ZTE Hungary	ZTE (Zhongxing)	Chinese	Dutch (100%)
Borsodchem	Wanhua	Chinese	Hungarian (100%), intermediate: Luxembourg (96%), Cyprus (4%)
BYD Electric Bus and Truck Hungary	BYD (H.K.) Co., LIMITED	Chinese	Hongkong (100%)

China as immediate investor country: 897 million EUR; as final investor country: 3320 million EUR (2015-16)



INDICATIVE DATA: VISEGRAD3 (CZ, HU, PL) FDI STOCK TOGETHER (2015-6)

CHINESE FDI IN VISEGRAD 3

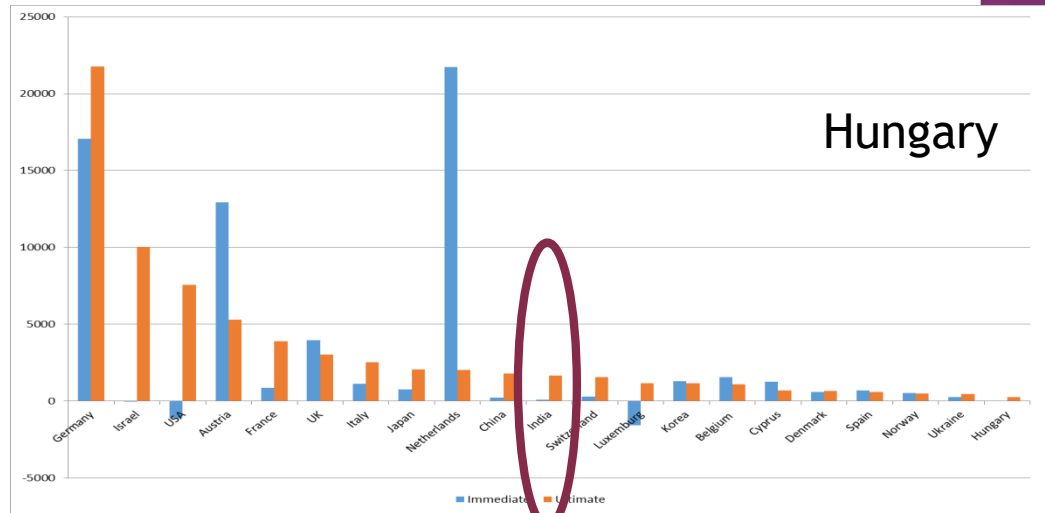
In all 3 Visegrad (CZ, HU, PL): China more important as ultimate investor country as opposed to direct investor country; **esp. in Hungary**

Chinese FDI stock in Visegrad 3, million EUR (2015-16)

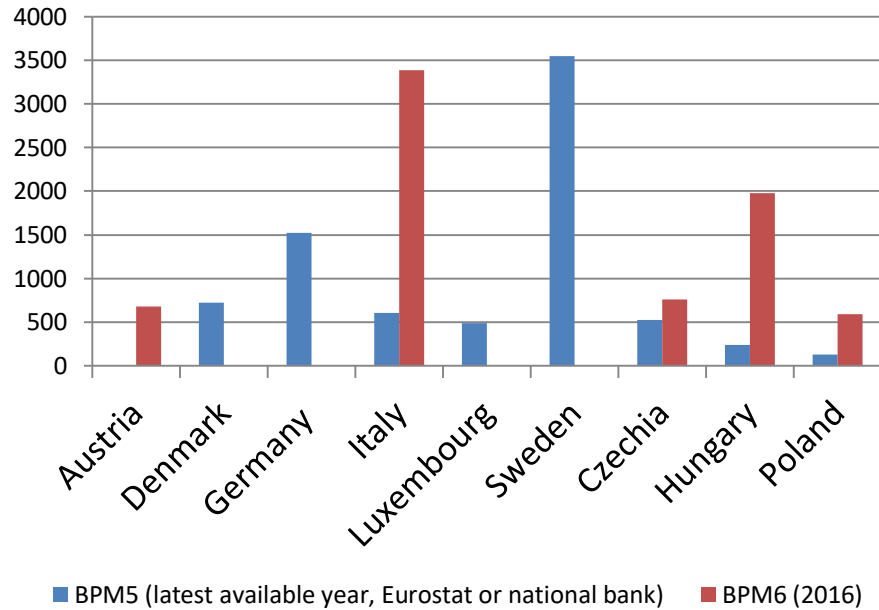
	Czechia	Hungary	Poland
Immediate	529	238	131
Ultimate	758	1976	588

% Chinese FDI stock in country total

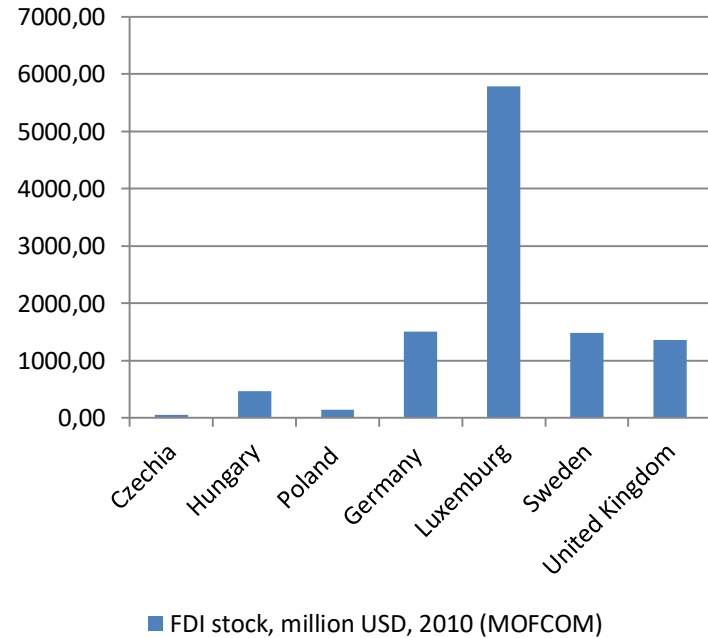
	Czechia	Hungary	Poland
Immediate	0.5	0.3	0.1
Ultimate	0.7	2.6	0.3



VISEGRAD3, ESP. HUNGARY - RELATIVELY (COMPARED TO GDP OR POPULATION) IMPORTANT TARGET COMPARED TO EU-15 - PRESUMABLY



Note: BPM6 data available only for these countries



STRONG IMPACT OF POLICY

- ◉ Market forces less important, traditional FDI factors explain little (see e.g. Jacoby, 2014), institutional factors important besides traditional FDI motives(see e.g. McCaleb, Szunomár, 2016)
- ◉ China:OBOR - 16+1; hub for routes towards EU(15) - targeting the region, but CEE relationship depend on relations with Germany (and EU-15)!
- ◉ CEE: explicit or implicit targeting of outside-EU investors: Hungary: Opening to the East; Poland: strategic relationship; Czechia: CEFC China Energy's deals

MOTIVATIONS OF CHINESE INVESTORS

- ◉ Mixed: mainly market-seeking and export-platform type selling to other EU
- ◉ Some efficiency-seeking exporting back to China/Hongkong
- ◉ Some oriented to the Hungarian market (only) in IT/telecom services
- ◉ Some knowledge-intensive, knowledge - seeking
- ◉ *No clear pattern over time*

THANK YOU FOR YOUR
ATTENTION!

ANNEX

Name of multinational	activity in Hungary	year of establishment	mode of entry	knowledge-technology-intensive	export/sales	share of EU in export
Changshu Standard Parts Factory (Ongcsai)	production of screws	1998	acquisition	no	99%	>1%
Qingdao Hisense	production of LCD television sets	2004 (closed in 2010)	joint venture with Flextronics	no	99% (2008)	95%
Beijing Sevenstar (GreenSolar)	production of solar panels and related R&D	2009	acquisition	partly	53% (China)	2%
Huawei	ICT-services, European supply center, logistics center	(2005), 2009, 2012	greenfield	yes, R&D involved	26% (Hongkong)	49%
ZTE	telecom services; repair, production of telecom products	2010	greenfield	partly	3% (China)	0%
Wanhua (Borsodchem)	production of plastic base materials	2011	acquisition	partly, R&D involved	87%	69%
Comlink	production of electronic cables	2012	greenfield	no	0%	-
Lenovo	production; support services	2014; 2016	acquisition of IBM PC; greenfield	partly	100%	100%
BBCA	production of organic base chemicals	2012	joint venture with MFB (Hungarian Development Bank)	no	no sales yet	-
Yanfeng	production of interior automotive parts	2015	acquisition/ joint venture (Yanfeng-Johnson Controls)	no	100%	95%
TCL	production of PCB	2015	greenfield	yes	limited activity	-
China Railway Elektr. Engineering Group	rail transportation services	2016	joint venture with MÁV (Hungarian State Railways)	no	not active yet	-
China-CEE Fund - Invitel	telecom services	2017	acquisition	no	0%	-
BYD	production of electronic cars	2017	brownfield+	partly, high tech activity, intense testing activities	n.d.	n.d.
Neusoft	medical IT products	2018	strategic alliance with mediaki	yes	not relevant	not relevant