The role of transnational and multinational companies in the Hungarian economy

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The role of transnational and multinational companies in the Hungarian economy

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Introduction

Abstract

This thesis aims to analyses the role of transnational and multinational companies in the Hungarian economy. The thesis poses two research questions: 1) the current situation of Chinese multinational companies is significant from an economic point of view in Hungary. 2) multinational companies from other countries are also of great importance in HungaryFurthermore, to answer these questions, the thesis employs literature research method, observation method and comparative analysis. here, peer reviewed scholarly articles from journals books and reports and facts from governmental and intergovernmental reports are used to answer the research questions. I chose this topic because the Hungarian government has introduced multinational enterprises, which has reduced the unemployment rate and increased GDP. This proves that the advantages of introducing multinational enterprises outweight the disadvantage

1. Literature processing

1.1 Definition and justification of the topic

Information technology revolution has not only accelerated the speed of information technology dissemination, but also greatly reduced the cost of information dissemination, breaking the restrictions of countries and closely linking the world together.

Thanks to the advancement of human transportation technology human beings can manufacture transport ships with high tonnage and fast sailing speed, which greatly promotes the flow of population and goods. This has greatly promoted economic globalization.

Politically, after the disintegration of the Soviet Union, the world entered a relatively stable world pattern. Various countries have relatively reduced military expenditures and turned to economic development. Countries have also shifted from military competition to economic competition. The relatively stable political structure also promotes the development of multinational companies. The transnational corporations provide the appropriate form of enterprise organization for the economic globalization. Multinational corporations organize the means of production on a global scale, which greatly promotes the flow of capital around the world. Moreover, multinational companies will rationally allocate means of production on a global scale to increase corporate profits. For example, multinational companies often place labor-intensive industries in countries with high demographic dividends, and technology-intensive industries in countries where the population is generally well-educated.

Since Hungary joined the EU in 2004, many multinational companies have opened branches in Hungary, hoping to enter the EU market through Hungary. Multinational companies from Germany and other countries will transfer labor-intensive factories to Hungary, but in recent years, many multinational companies will also establish their own research offices in Hungary.

Of course, this is also inseparable from the policies formulated by the Hungarian government to attract investment. For example, Hungary's corporate income tax is only 9%, which is much lower than that of France and other Western European countries. Moreover, multinational companies will also receive land and tax support. The policies introduced by the Hungarian government are conducive to attracting investment, which not only reduces the production and manufacturing costs of enterprises in Hungary, but also creates a favorable external environment for attracting multinational companies.

Hungary has a high degree of cultural popularity and a highly educated population. Most Hungarians have a high school education and above. A high-quality labor force is conducive to improving the output of enterprises. To provide the impetus for sustainable development of enterprises in the brutal international competition is very important. Moreover, most Hungarians can speak at least a second foreign language, which also reduces the difficulty for multinational companies in employee selection.

1.2 Research background

By studying the role of multinational corporations in the Hungarian economy, it is proved that multinational corporations and economic globalization are the trend of history, which is conducive to the development of the national economy and the increase of national income. Multinational corporations are an important engine to promote economic development, and their positive role in the process of economic development is far greater than what many scholars believe will seriously affect the stability of the national economy.

Theoretical significance: helps to challenge the theory of monopoly advantage American scholar Haimo challenged the traditional theory for the first time in his doctoral dissertation "International Operations of Domestic Enterprises: Research on

Foreign Direct Investment". Ge and other scholars improved it and developed it into the earliest and most influential theory of international direct investment, that is, the theory of monopoly advantage. The theory of monopoly advantage is a theory based on the premise of imperfect competition and based on the specific monopoly advantages of enterprises to carry out foreign direct investment, is an analysis based on the theory of industrial organization, which holds that due to the incompleteness of the market, foreign companies can effectively compete with local companies by virtue of their monopoly advantages in production secrets, technology, management, and economies of scale. The theory of monopoly advantage believes that foreign-funded enterprises will use their own technological advantages to cause industry monopoly and thus prevent the development of domestic enterprises. However, some countries stimulate the development of domestic enterprises in the same industry through the introduction of multinational enterprises to form a catfish effect.

1.3 Research methodology

Literature research method: The literature research method is based on a certain research purpose or topic, and obtains information through literature surveys, so as to fully and correctly understand and master the research questions. This thesis will start from the literature of domestic and foreign scholars to prove that multinational enterprises have a positive effect on the economic development of Hungary. Other countries can also learn from Hungary's experience in the process of introducing multinational companies. So as to sum up the foreign investment introduction process suitable for their own country.

Observation method: Observation method refers to a method in which researchers use their own senses and auxiliary tools to directly observe the researched object according to a certain research purpose, research outline or observation table, so as to obtain data. The basis was the collecting information on Hungarian multinational companies using the Internet. If conditions permit, you can actually inspect the office locations and factories of multinational companies. It is also possible to interview staff in multinational companies, which is conducive to obtaining first-hand information. Such a scientific observation method is purposeful and planned, systematic and repeatable.

Comparative analysis: Comparative analysis is also called analogy or analogy. It is a dialectical logic method to distinguish things or problems to understand their differences, characteristics and essence. We can discover the strengths and weaknesses of each country by comparing the role of multinational corporations in China and Hungary in the economy. When there is not much data and it is not enough for inductive and deductive reasoning, comparative analysis is more valuable. Kant said: Whenever the intellect lacks the train of thought of a reliable argument, the method of analogy can often guide us forward

1.4 Multinational and transnational company

Both multinational and transnational are more or less similar in meaning so some people usually use these two terms interchange. but there is a small difference between them. The main difference between multinational and transnational enterprises is that multinational enterprises have a centralized management system which cannot be seen in transnational enterprise. However, both multinational and transnational companies have foreign affiliates and operate around the world.[1](Admin,2015)

Multi means many and national means the state. Many states mean that these types of companies operate in more than one country at the same time. Multinational enterprise is strongly supported by the emergence of free liberalism and free market concepts. A company may start in one country, and may spread to other foreign countries, expanding their investments. Thus, a national industry becomes a multinational company. The significance of this type of companies is that though it spreads to many other countries, there will be a centralized management system, and the main decisions will always be taken by the home company. The other foreign corporations

[1] Admin, " Difference between Multinational and Transnational" November 3, 2015

will be subsidiaries of the home company. Huawei Corporation is an example of a multinational corporation.

Transnational corporations are something similar to multinational companies, but there is a small difference. Transnational corporations also operate in many countries, and they does not have a centralized management system. These companies might start in one country, and later on they might expand to other nations as well. maybe, they do not have a home company to manage them and will start as a new company. So, a transnational company does not have subsidiaries. Since there isn’t a centralized management system, a transnational company may take decisions suitable to the operating context. They also may not be loyal to the operating country’s value system but only will look into their expansion of businesses, because they may have no connection with the particular country. Transnational companies are there all around the world, and they operate truly at the global level.

1.5 Chinese business policy in Europe

China's Belt and Road Initiative (BRI), launched by the Chinese government since 2013, represents a global infrastructure development and economic cooperation plan aimed at strengthening economic ties between Asia, Europe, and Africa, with the goal of promoting global trade and investment. In recent years, China's economic policy towards the outside world has been primarily centered around this initiative, particularly in Europe. European nations, serving as important western partners of the BRI, have seen their commercial policy ties with China grow increasingly robust. This article delves into China's commercial policy towards Europe, analyzes the impact of the BRI on Europe, and discusses the collaborative opportunities and potential challenges.

Infrastructure Development and Connectivity:

The core of the Belt and Road Initiative lies in infrastructure development, encompassing projects such as ports, railways, highways, and energy initiatives. For instance, the Piraeus Port project in Greece has become a pivotal logistics hub connecting Europe and Asia, thereby facilitating European exports to Asian markets. This interconnectedness has not only reduced transportation costs but also stimulated trade flow within the region.[2](Piraeus Port: Gateway to Europe.)

The BRI has expanded market opportunities for European countries, fostering bilateral and multilateral trade growth. China is a vital trade partner for Europe, and the implementation of the BRI has further strengthened the trade ties between the two regions. According to EU statistics, exports from the European Union to China have increased by over 50% since 2013.[3](European Commission)

Chinese policy banks and investment institutions have actively supported infrastructure and green energy projects in Europe. Notably, China's investments in nuclear energy projects in the United Kingdom and Hungary demonstrate financial cooperation between China and Europe.[4](Jim Pickard,2021) Such collaboration provides Europe with a source of funding but also entails potential financial risks and dependency issues.

Technology Cooperation and Innovation:

The BRI encourages technology cooperation and innovation, which holds great appeal for Europe's high-tech industries. China and Europe possess substantial cooperation potential in areas such as technology, green energy, and the digital economy. However, challenges related to technology transfer and intellectual property protection must be addressed cautiously.[5](China's Belt and Road Initiative)

China and Europe can further strengthen joint investment projects under the BRI, particularly in green energy, the digital economy, and digital infrastructure. This will enable both parties to share risks and collectively drive project success.

Enhanced trade facilitation efforts between China and Europe, including the reduction of trade barriers and the promotion of trade facilitation, can improve bilateral trade

2 Piraeus Port: Gateway to Europe." Belt and Road Portal. (https://eng.yidaiyilu.gov.cn/zchj/qwfb/104577.htm)

3 "EU Trade in Goods with China." European Commission. (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_trade_in_goods_with_China)

4 "Chinese nuclear power plant plans in Essex show why Britain can't ignore its links to the Belt and Road Initiative." The Conversation. (https://theconversation.com/chinese-nuclear-power-plant-plans-in-essex-show-why-britain-cant-ignore-its-links-to-the-belt-and-road-initiative-141739)

5"China's Belt and Road Initiative: Views from the Ground." European Chamber. (https://www.europeanchamber.com.cn/en/china-s-belt-and-road-initiative-views-from-the-ground) efficiency. Addressing issues such as tariffs, intellectual property protection, and standardization is essential.

European countries need to prudently manage their business cooperation with China to ensure that collaborative projects adhere to sustainability and transparency principles while mitigating potential debt risks.

Intellectual Property Protection: European businesses engaging in collaboration with China must closely monitor intellectual property protection to ensure that their technology and innovations are adequately safeguarded, China's Belt and Road Initiative has profoundly impacted European commercial policies, offering both opportunities and challenges. Collaboration between China and Europe will continue to expand in infrastructure development, trade growth, financial cooperation, and technological innovation. However, prudence is required in addressing potential issues to ensure the sustainability and mutual benefit of this cooperation. European nations, as active participants in commercial cooperation with China, have the potential to realize a vision of shared prosperity.

1.6 Chinese multinationals in Europe and Hungary

1.6.1 The importance of Chinese multinational companies in Hungary

China's global economic expansion over the past few decades has been remarkable, with Chinese multinational corporations (MNCs) playing a pivotal role in this process.[6] (Szunomár Á. (2017))I will examines the importance of Chinese MNCs in Hungary from a business management perspective. It explores the key factors driving their presence in Hungary, their contributions to the local economy, and the implications for business management.

[6] Szunomár Á. (2017). "The Role of the Eastern Opening Policy in Hungarian-Chinese Relations." Asia Europe Journal, 15(3), 355-368

Chinese MNCs in Hungary a growing presence. Hungary has become an attractive destination for Chinese MNCs seeking to expand their global footprint. Several factors contribute to Hungary's appeal, including its strategic location within Europe, well-developed infrastructure, skilled labor force, and favorable investment environment.[7] (European Bank for Reconstruction and Development. (2021)) Hungarian government initiatives, such as the "Eastern Opening Policy," have actively promoted economic cooperation with China.[8] These factors have attracted numerous Chinese MNCs to establish their operations in Hungary, spanning various industries such as automotive, manufacturing, technology, and renewable energy.

Chinese MNCs in Hungary have made substantial contributions to the local economy. They have created employment opportunities, transferred advanced technologies, and introduced best practices in production and management. One notable example is the presence of Chinese automotive manufacturers in Hungary, which has transformed the country into a hub for automobile production and export[9](European Commission. (2021).). This has not only boosted Hungary's manufacturing sector but also enhanced its position in the European automotive supply chain.

Investments by Chinese multinational companies in Hungary cover not only manufacturing, but also infrastructure, green technology and digitalization. These companies typically inject large amounts of capital into Hungary to build production facilities, R&D centers and logistics networks. This capital injection not only promotes construction and modernization in Hungary, but also creates a large number of construction and maintenance employment opportunities, covering construction workers, engineers, logistics experts and other fields.

In addition, these investments help increase Hungary’s production capacity and production efficiency, provide more products and services, thereby increasing supply in the domestic market, stabilizing prices, and improving citizens’ quality of life

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7 European Bank for Reconstruction and Development. (2021). "Hungary." Retrieved from https://www.ebrd.com/work-with-us/projects/psd/hungary.

8 United Nations Conference on Trade and Development. (2021). "Chinese FDI in Europe: 2021 Update." Retrieved from https://unctad.org/system/files/official-document/diaepcbinf2021d3_en.pdf.

9 European Commission. (2021). "Automotive Industry in Hungary." Retrieved from https://ec.europa.eu/growth/sectors/automotive/locations/hungary_en.

Furthermore, Chinese investments have stimulated infrastructure development, such as the Budapest-Belgrade railway project, which connects Hungary to the broader Belt and Road Initiative (BRI)[10](Belt and Road Portal. (2021)). This infrastructure development facilitates trade and transportation, bolstering Hungary's role as a regional logistics and distribution center.

The presence of Chinese multinational companies in Hungary has also contributed to the growth of bilateral trade. As key players in exports and imports, they expand trade between Hungary and China. This not only provides Hungarian companies with opportunities to enter the huge Chinese market, but also enables Hungarian products and services to be more widely exported to China and other international markets.

This trade activity helps reduce Hungary’s dependence on the European market, making its economy more diverse and resilient. In addition, Chinese multinational companies also conduct localized production in Hungary, thereby reducing transportation and logistics costs and improving the competitiveness of products.

The economic activities of Chinese multinational companies in Hungary also provide tax revenue for the state. They pay taxes to the Hungarian government, including corporate income tax, value-added tax and employment-related social security contributions. These tax revenues can be used to fund public programs and services such as infrastructure, education, health care and social security.

This tax contribution helps maintain the stability of the country's finances, promotes an increase in public spending, improves Hungary's infrastructure and social services, and improves the quality of life of residents.

As Chinese MNCs expand their operations in Hungary, will also face many challenges. From the perspective of enterprise management, improve the management level of enterprises and enhance their own competitiveness. Be able to face challenges more calmly and seize opportunities. Effective business management should consider the following aspects:

[10] Belt and Road Portal. (2021). "Budapest-Belgrade Railway." Retrieved from https://eng.yidaiyilu.gov.cn/zchj/qwfb/104598.

1.Cultural Integration: Successful business management requires navigating cultural differences and fostering a harmonious work environment. Training programs and cultural sensitivity are essential for ensuring effective collaboration between Chinese and Hungarian employees.

2. Technology Transfer: Chinese MNCs should carefully plan technology transfer to local partners, fostering innovation and knowledge sharing while protecting intellectual property rights.

3. Supply Chain Integration: Managing supply chain networks efficiently is crucial, given Hungary's role as an integral part of European production and distribution chains. Coordination with local suppliers and logistics providers is essential.

4. Compliance and Regulatory Adherence: Adhering to Hungarian laws and regulations, as well as EU standards, is paramount. MNCs should prioritize corporate social responsibility and sustainable practices to maintain a positive reputation.

Chinese multinational corporations' increasing presence in Hungary is indicative of their global expansion strategy[11](Szunomár Á. 2017). Their contributions to the Hungarian economy are substantial, ranging from job creation to technology transfer.[12] (European Commission. 2021)From a business management perspective, effective strategies and cultural sensitivity are vital for fostering successful collaborations. As the relationship between China and Hungary continues to evolve, careful management of this partnership will be pivotal for mutual success.

1.6.2 The entry of Chinese multinationals into Europe

Early 1990s to early 2000s Chinese enterprises gradually ventured into the international market, with a growing focus on the European market. Initially, in the nascent stage (early 1990s), Chinese enterprises actively sought international markets, but their engagement in the European market was relatively limited.[13](Franz M ,Henn

[11] Szunomár Á. (2017). "The Role of the Eastern Opening Policy in Hungarian-Chinese Relations." Asia Europe Journal, 15(3), 355-368

[12] European Commission. (2021). "Automotive Industry in Hungary." Retrieved from https://ec.europa.eu/growth/sectors/automotive/locations/hungary_en.

[13] Franz M ,Henn S . Multinationals from the BRIC-countries investing in German firms: Impacts on industrial relations[J]. Industrielle Beziehungen Zeitschrift für Arbeit Organisation und Management,2020,27(1-2020).

S,2020) During this period, Chinese companies began exploring the path of internationalization, seeking broader market opportunities. Subsequently, in the pilot phase (mid to late 1990s), Chinese companies gradually turned their attention to Europe. Some pioneering enterprises established representative offices in Europe or conducted preliminary explorations through collaborations with local companies. During this phase, enterprises primarily focused on small-scale on-site representative offices and cooperative projects, aiming to understand the business environment and operational models in the European market.[14](Martini T J ,Niemann R ,Simons D,2012)

With the rise of the Chinese economy, the gradual expansion phase (early 2000s) officially commenced. Large state-owned enterprises and private enterprises began to recognize the importance of the European market and actively considered establishing entities in Europe for strategic investments. This phase marked substantive development for Chinese enterprises in the European market, as they began to diversify into broader sectors and industries.[15](Martini T J,2012)

In the accelerated development phase (mid-2000s to early 2010s), investments and collaborations of Chinese enterprises in the European market further escalated, exhibiting the following characteristics:

1. Large-Scale Mergers and Acquisitions (M&As) (mid-2000s): During this period, Chinese enterprises began acquiring European companies on a large scale to access advanced technology, brand recognition, and market shares, accelerating their presence and expansion in the European market. For instance, companies like Haier successfully acquired Italian white goods manufacturer Candy, enriching their product offerings and gaining a larger market share in Europe. [16](Juan weijie,2023)

[14] Martini T J ,Niemann R ,Simons D . Transfer Pricing or Formula Apportionment? Tax-Induced Distortions of Multinationals' Investment and Production Decisions*[J]. Contemporary Accounting Research,2012,29(4).

[15] MARTINI T J,NIEMANN R SIMONS D . Transfer pricing or formula apportionment? – Tax-induced distortions of multinationals' investment and production decisions*–[J]. Contemporary Accounting Research,2011.

[16] Juan Wiejie F Jie Z Chinese tourism enterprises' host country choice for overseas investment: influencing factors, interactive effects, and national heterogeneity[J]. Current Issues in Tourism,2023,26(10).

2. Strategic Partnerships (late 2000s): In addition to M&As, some Chinese enterprises began establishing strategic partnerships with European companies to jointly explore markets. This collaborative model gained prominence later on, with companies enhancing market competitiveness through resource sharing, technology exchange, and mutual cooperation. This form of collaboration not only expedited market expansion but also promoted cooperation in areas such as technology research and development and market promotion.

In summary, the accelerated development phase was a critical period for Chinese enterprises to achieve rapid growth in the European market. Through large-scale M&As and strategic partnerships, Chinese enterprises accelerated their presence in Europe, acquiring advanced resources and market shares, thus laying the foundation for enhanced competitiveness on a global scale.

In the diversified investment phase (2010s to early 2020s), Chinese enterprises' investments in the European market exhibited the following trends:

1. Industry Diversification (early 2010s) [17] (lin xinmiao,2022): With continued economic growth and industrial upgrading in China, Chinese enterprises gradually expanded from traditional manufacturing into multiple sectors, including high technology, finance, and real estate. During this period, many Chinese enterprises began exploring new opportunities in Europe that aligned with their business development objectives, driving the trend of industry diversification.

2. Establishment of Regional Headquarters (late 2010s) [18] (haoyue j 2022): Some Chinese multinational corporations established regional headquarters in Europe to better manage their European operations. By establishing regional headquarters in Europe, these enterprises gained greater flexibility to respond to local market demands,

[17] Lin F ,Xinmiao W ,Mengru Q . The Cooperative Game Study of Chinese Overseas Direct Investment in the Construction of Green Ports[J]. Sustainability,2022,15

[18] Haoyue Z . A New Perspective on Motivations Behind Chinese Overseas Investment: A Case Study on the Darwin Port Deal[J]. Australian Journal of Politics & History,2022,68(3).

improve operational efficiency, and provide stronger support for their global expansion.

3. Innovation Collaboration and Investment (2020s onwards)[19](hu jin 2022): With advancements in technology in both China and Europe, an increasing number of Chinese enterprises have collaborated with European research institutions and innovative companies to jointly promote technological innovation. This collaboration not only facilitates the absorption of advanced technology and ideas but also provides crucial support for maintaining a competitive edge globally.

In conclusion, the diversified investment phase witnessed the versatility and high adaptability of Chinese enterprises in their investment activities in the European market. Through industry diversification, the establishment of regional headquarters, and collaboration in technological innovation, Chinese enterprises' investment strategies in the European market have matured, bringing new development opportunities to both sides in their economic cooperation.

1.6.3 Top five Chinese companies investing in Europe

(1) Huawei Technologies Co., Ltd.

Huawei Technologies Co., Ltd.'s investment scale in Europe is of significant magnitude, encompassing multiple sectors, including telecommunications equipment, smartphones, and cloud computing. The specific investment amounts are challenging to precisely quantify due to involvement in numerous projects, collaborations, and years of operation. In the realm of telecommunications equipment, Huawei has invested substantial funds in Europe for research, development, production, and sales of advanced telecommunications equipment to meet the communication network development needs of European countries. In the smartphone sector, Huawei has also made substantial financial investments in the European market by establishing sales networks and brand promotion activities. Furthermore, Huawei has undertaken

[19] Hu J . Risks and Precautions of Chinese Enterprises' Transnational Investment Under "the Belt and Road" Initiative[J]. Financial Engineering and Risk Management,2022,5(5).

significant investments in areas such as cloud computing and data centers, providing support for Europe's digital transformation.

(2) Ping An Insurance Group of China

Ping An Insurance Group of China primarily focuses its investments in Europe on the expansion of insurance businesses, including life insurance and property insurance. To achieve this objective, the company actively expands its operations in the European region, establishing multiple subsidiaries and branches to provide comprehensive insurance services in the local market. These subsidiaries and branches not only offer insurance products but also provide efficient and customer-oriented services through localized teams. Through investments and business expansion in the European region, Ping An Insurance Group of China actively participates in the competition in the local insurance market, offering comprehensive insurance coverage to European residents, and laying a solid foundation for the company's international development.

(3) China Mobile Communications Group

China Mobile Communications Group primarily concentrates its investments in the communication sector in Europe, covering mobile communications and data services. To achieve this goal, the company collaborates with operators in the European region, jointly dedicated to advancing the development and application of 5G technology. This collaboration not only promotes the advancement of communication technology but also injects new vitality into the European communication industry, enhancing its overall competitiveness. Through investments and cooperation in the European region, China Mobile Communications Group actively engages in the development of the local communication market, providing advanced communication services to European residents, and making significant contributions to the company's international development.

(4) China Construction Bank

China Construction Bank mainly focuses its investments in Europe on the banking sector, encompassing corporate finance, personal finance, investment banking, among other areas. To achieve this objective, the bank has established branches and offices in the European region to provide various financial services to enterprises and individuals. Through its presence in the European region, China Construction Bank actively participates in the development of the local financial market, providing financing support to enterprises and diverse financial products and services to individuals. This not only promotes the development of the European financial industry but also establishes a solid foundation for China Construction Bank's international business expansion, enhancing its capabilities in international operations. Through continued investments and collaborations, China Construction Bank plays an active role in promoting economic exchanges and cooperation between China and Europe, contributing to mutual development.

(5) China National Offshore Oil Corporation

China National Offshore Oil Corporation (CNOOC) primarily focuses its investments in Europe on the energy sector, including oil exploration and natural gas development. The company actively participates in the development and utilization of local energy resources in the European region. To achieve this goal, CNOOC has initiated multiple energy projects in the European region, encompassing exploration and development of oil and natural gas resources. In implementing these projects, CNOOC has engaged in extensive collaboration with European energy companies, jointly advancing the development and cooperation in the energy sector. Through mechanisms such as technological exchange, resource integration, and joint investments, CNOOC and European enterprises share the benefits of energy resource development, yielding substantial economic returns for both parties.

1.6.4 China's largest investment company in Hungary

Ningde Times New Energy Company, a leading Chinese enterprise in the new energy sector and one of the world's largest manufacturers of power batteries, has garnered widespread attention due to its significant investments in Hungary. The company's decision to establish a new energy battery industry base in Debrecen, Hungary, marks the largest foreign direct investment project in the history of Hungary. With a staggering total investment of 7.34 billion euros, this endeavor is poised to become a pivotal driver not only for Hungary but also for the entire European new energy industry.

The chosen site for this ambitious project lies within the Debrecen South Industrial Park, spanning a vast total area of 221 hectares, with plans for the commencement of construction on the first factory building in the near term. Once fully operational, it is projected to boast a remarkable battery production capacity of up to 100 gigawatt-hours, thereby providing a reliable power source for the electric vehicle industry. Ningde Times New Energy Company's investment not only elevates Hungary's new energy industry to new technological heights but also generates significant impetus for local economic development and employment opportunities. Simultaneously, it fortifies the company's strategic positioning on the global stage, further solidifying its leadership in the field of new energy.

CATL also encountered considerable resistance when it built its factory in Debrecen. Different from CATL's investment and construction of factories in Germany, local residents have been trying to communicate with CATL about environmental pollution and water pollution issues, and hope that the company will send representatives to attend hearings organized by the local municipal government to answer the questions of local residents. The governor of the state where the factory is located supports the project, but the mayor of the town where the factory is located is opposed because of environmental concerns. Coincidentally, they are all supporters of the ruling party. Therefore, some people analyze that prime minister's choice of direction also caused divisions within the ruling party. At the same time, the government always attacks environmentalists. This further proves that it is not just a matter of attracting foreign investment, but there may be deep-seated political factors behind it.

As CATL's largest investment in Europe, although residents will not feel direct changes to their own interests in the short term, for the local government, it can increase taxes and improve infrastructure construction, such as parks. These benefits, in turn, can improve the happiness index of residents, so in the long run they will promote the development of the local economy. For the country, it can improve Hungary's new energy vehicle industry chain and improve Hungary's competitiveness in the new energy vehicle market.

1.7 Motivations for Chinese Multinational Corporations' Investments in Europe

1.7.1 Market Expansion and Diversification Strategy

One of the motivations behind Chinese enterprises investing in Europe is to gain access to advanced technology and renowned brands. This strategic approach aids companies in acquiring cutting-edge technology, research and development capabilities, and internationally recognized brands, thereby enhancing their competitiveness. Europe holds a leading position in numerous sectors, especially in high-tech areas such as automotive manufacturing, mechanical engineering, and healthcare, where its technological prowess and research and development capabilities are widely acknowledged. Through investments in European enterprises, Chinese companies can access these advanced technologies, enabling them to attain a competitive advantage in relevant fields. Furthermore, acquiring advanced technology expedites product innovation and upgrades, enhancing product quality and performance to meet evolving market demands, thereby maintaining market competitiveness. [20] (QuX,2022) Additionally, European enterprises often possess

[20] Qu X . Preliminary Study on Construction of China's Overseas Investment Insurance System Based on Comparative Analysis of Investment Insurance Systems of the US, Japan, Germany, and MIGA[J]. Discrete Dynamics in Nature and Society,2022

internationally renowned brands. Through investment and collaboration, Chinese companies can leverage these brand advantages to enhance their corporate image and influence in international markets, accelerating their expansion into the global market.

1.7.2 Access to Advanced Technology and Brands

As one of the world's largest economies, Europe boasts a vast consumer market and a highly developed industrial system, ranking among the top in terms of GDP. This translates into immense market potential. For Chinese enterprises, entering the European market offers broader growth prospects. Simultaneously, this strategic move helps reduce reliance on a single market, diversify operational risks, and enhance overall resilience against economic uncertainties. Furthermore, establishing operations in Europe enables Chinese companies to better understand and adapt to the local business environment, culture, and regulations, thereby enhancing their competitiveness in the local market and creating more opportunities for collaboration globally.[21] (hujin h,2021) By establishing operations in Europe, Chinese companies achieve global presence, becoming an integral part of the global competitive landscape. This not only elevates their international status but also strategically supports their global business endeavors. With the acceleration of globalization, the demand for internationalized products and services by consumers continues to grow. Establishing operations in Europe enables Chinese companies to better meet international market demands, enhancing the international competitiveness of their products.

Strengthening International Collaboration and Innovation Capability

[21] Hujun H ,Rui X ,Ke H , et al. Environmental risk evaluation of overseas mining investment based on game theory and an extension matter element model.[J]. Scientific reports,2021,11(1).

Strengthening international collaboration and innovation capability is one of the key motivations for Chinese enterprises to invest in Europe. Through collaboration with European companies, Chinese enterprises can gain insights into advanced management practices, innovative concepts, and elevate their capabilities for international operations, thereby facilitating strategic cooperation on a global scale. For instance, Chinese technology companies, when partnering with European research institutions, can jointly undertake research and development projects and share cutting-edge technologies, driving innovation in high-tech fields for both parties[22]. (zhen Y yao,2021) Furthermore, collaboration fosters cultural exchanges, enhances mutual understanding, and lays a solid foundation for corporate development in international markets. Consequently, enhancing international collaboration with European enterprises not only boosts a company's competitiveness but also contributes to the globalization of industries.

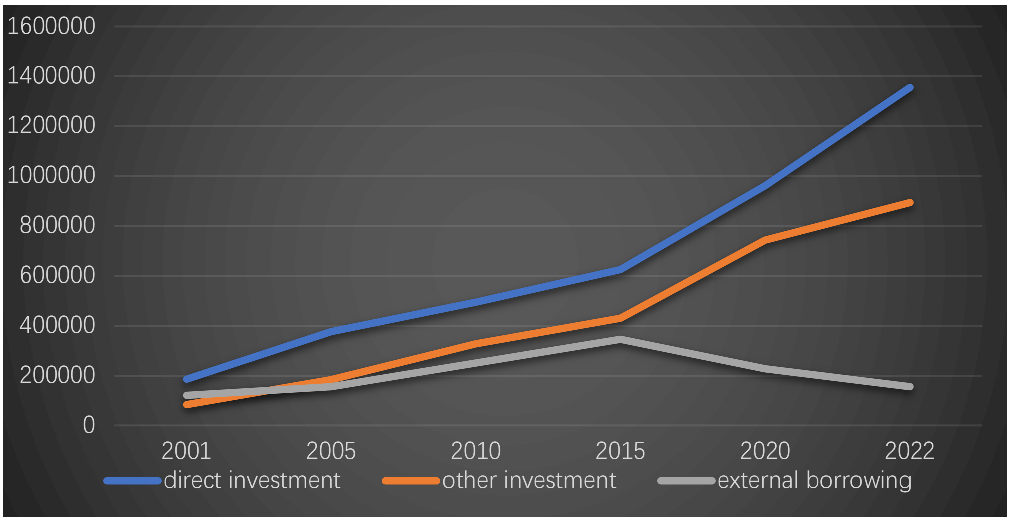
1.8 Scale of Multinational Corporation Investments in Hungary

Hungary's foreign investment policy primarily focuses on attracting foreign investment to promote economic development. The government of Hungary has implemented a series of measures, including providing tax incentives, establishing economic zones, and simplifying administrative procedures, to attract foreign investors. Furthermore, Hungary actively participates in international cooperation, signing bilateral investment treaties with other countries to provide a more stable and predictable investment environment for foreign companies. This not only offers more favorable investment conditions for foreign companies but also injects new vitality into Hungary's economic development. Through these measures, Hungary has become one of the leading countries in the Central and Eastern European region in terms of per capita foreign investment attraction, with a particular focus on the business and

[22] Zhen Y ,Yao X ,Jinpo L . How does geopolitical uncertainty affect Chinese overseas investment in the energy sector? Evidence from the South China Sea Dispute[J]. Energy Economics,2021,100(prepublish).

industrial sectors. The countries that have invested significantly in Hungary include the United States, China, Germany, Japan, France, and Austria. Currently, 40 out of the world's top 50 multinational corporations have established companies in Hungary, and foreign-owned enterprises contribute to nearly 80% of Hungary's GDP. Hungary has attracted a cumulative total of 287.354 billion euros in foreign investment since 2001.[23](jiangxin,2023)

In 2022, Hungary achieved remarkable results in attracting multinational corporations, with 490 new foreign investment projects approved throughout the year, representing a year-on-year increase of 16.67%. The total contract value of foreign investment amounted to 22.76231 billion euros, marking a 34.37% year-on-year growth. The actual foreign investment inflow reached 21.25801 billion euros, showing a substantial increase of 38.70% year-on-year. In recent years, Hungary has intensified its efforts to attract investment from multinational corporations, leading numerous Fortune Global 500 companies to establish a presence in Hungary. In 2022, Hungary welcomed 14 new Fortune Global 500 companies, and five existing Fortune Global 500 companies increased their investments. By the end of 2022, a total of 125 Fortune Global 500 companies had invested in Hungary.



[23] The Impact of Chinese Multinational Corporations' Investment on Exports to Zimbabwe [D]. Jiangxi University of Finance and Economics, 2023."

Figure1. Foreign Investment Utilization Methods in Hungary (in EUR Thousands) Source: Hungarian statistics office

Currently, multinational corporations tend to favor direct investment as their preferred mode of foreign investment, and this trend is also evident in their investments in Hungary. According to statistical data, the majority of foreign investment inflows into Hungary take the form of direct investment, with only a small portion in the form of loans and other investments. Among the 125 Fortune Global 500 companies invested in Hungary, approximately half of them engage in direct investment. This means that most multinational companies' investments are directed towards economically significant production sectors rather than merely capital flow.[24] (jiangxin,2023) Compared to other forms of investment, the impact of direct investment by multinational corporations on economic development is more direct and significant, with a deeper and more profound influence. For multinational corporations, direct investment also facilitates their access to market resources and aligns with their long-term development strategies.

1.9 National Origins of Multinational Corporations in Hungary

Hungary has attracted multinational corporations from around the world, representing diverse countries of origin. Most of the early multinational corporations that entered Hungary were from Europe, the Americas, and other closely connected regions. These countries and regions had geographical and linguistic advantages, making them the first to invest in Hungary. Germany is one of Hungary's largest sources of investment, with a significant number of multinational corporations established in Hungary, covering various sectors, including manufacturing and services. Simultaneously, American companies have made significant investments in Hungary, spanning

[24] Peace A . Analysis of the Impact of Multinational Corporations on the Economic Development of Nigeria [D]. Jiangxi University of Finance and Economics, 2023.

multiple industries, including technology, finance, and manufacturing. Austrian companies have also made substantial investments in Hungary, encompassing fields such as construction, banking, and retail.[25](hao xing,2022) In recent years, Chinese companies have gradually increased their investments in Hungary, covering manufacturing and energy sectors. Additionally, countries like France, the United Kingdom, and the Netherlands have also established numerous multinational corporations in Hungary, each specializing in their respective fields.[26](Den zili,2021) The specific number of multinational corporations from each country participating in investment in Hungary is shown in Figure 3-2.

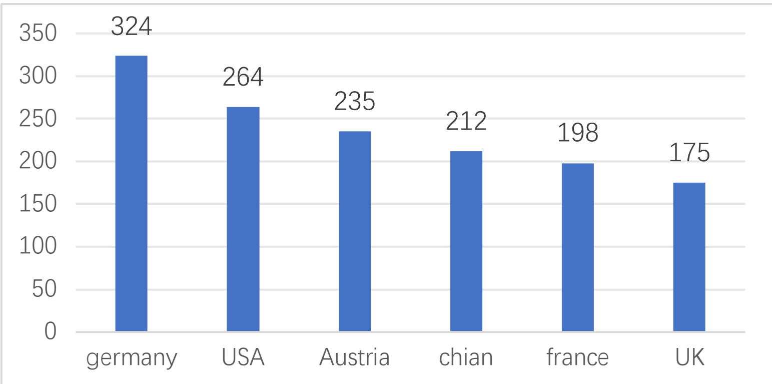


Figure 3-2 Country of Origin and Number of Multinational Corporations in Hungary (Unit: Count)**

In Hungary, the primary focus of investments from these countries is concentrated in the capital city, Budapest, and its surrounding regions, such as Győr-Moson-Sopron, Fejér, and Pest counties. These areas boast well-developed infrastructure, convenient transportation networks, and abundant human resources, making them preferred choices for many multinational corporations to invest and establish their businesses.[27]

[25] Hao Xing. An Analysis of the Impact of the Regional Comprehensive Economic Partnership (RCEP) on Outward Foreign Direct Investment of Chinese Multinational Corporations [J]. China Storage and Transportation, 2022(03): 65-66.

[26] Deng Zili. The Impact of Research and Development Investment by Multinational Corporations in China on the Development of Science and Technology Talents in China [J]. Chinese Science and Technology Talent, 2021(06): 74-81

[27] Gu Chuntai. Trends in International Investment Policy Development Under the Trend of Production Separation by Multinational Corporations [J]. China Foreign Investment, 2021(17): 28-30

(Gu Chuntai,2021) Additionally, these regions have attracted a significant amount of international investment due to their favorable business environment and government policies. In 2022, Budapest and the nearby regions utilized foreign direct investment amounting to €15.76 billion, accounting for 60.4% of the total foreign direct investment in the country. There were 281 newly approved foreign investment enterprises, and 108 Fortune 500 companies were among the investors, constituting 86.4% of the total number of Fortune 500 companies investing in Hungary. Therefore, analyzing multinational corporations in Budapest provides an overview of multinational corporations investing in Hungary as a whole.[28](He Manqing. 2020)

1.10 Industry Distribution of Multinational Corporation Investments in Hungary

Hungary, as a widely recognized investment hotspot, has attracted a significant influx of multinational corporations, resulting in a distinct phenomenon of industry clustering. Manufacturing is one of Hungary's largest investment sectors, drawing the presence of numerous international manufacturing companies, including those in automotive manufacturing, electronic equipment manufacturing, mechanical manufacturing, and various related fields. Additionally, the financial sector has become an important area for attracting multinational corporations, with many international banks and insurance companies establishing branches or offices in Hungary. The information technology and communication technology (ICT) sector has also attracted investments from numerous international IT companies, which have set up software development centers, research and development hubs, and more in Hungary.[29](Wan Zhihong, Wang Chen.2020) Furthermore, the retail and logistics transportation industries have also witnessed the entry of many international enterprises. In relative terms, there are fewer multinational corporations investing in traditional sectors such

[28] He Manqing. New Trends in Investment Strategies of Multinational Corporations in China and Their Responses [J]. China Foreign Investment, 2020(23): 38-40.

[29] Wan Zhihong, Wang Chen. Chinese Outward Foreign Direct Investment and the Internationalization of Multinational Corporations [J]. Nankai Journal (Philosophy, Literature, and Social Science Edition), 2020(03): 67-77.

as agriculture, forestry, animal husbandry, and fisheries. [30](Yin Congyun.2019,)The specific distribution of industries in which multinational corporations invest in Hungary is depicted in Figure 3-3.

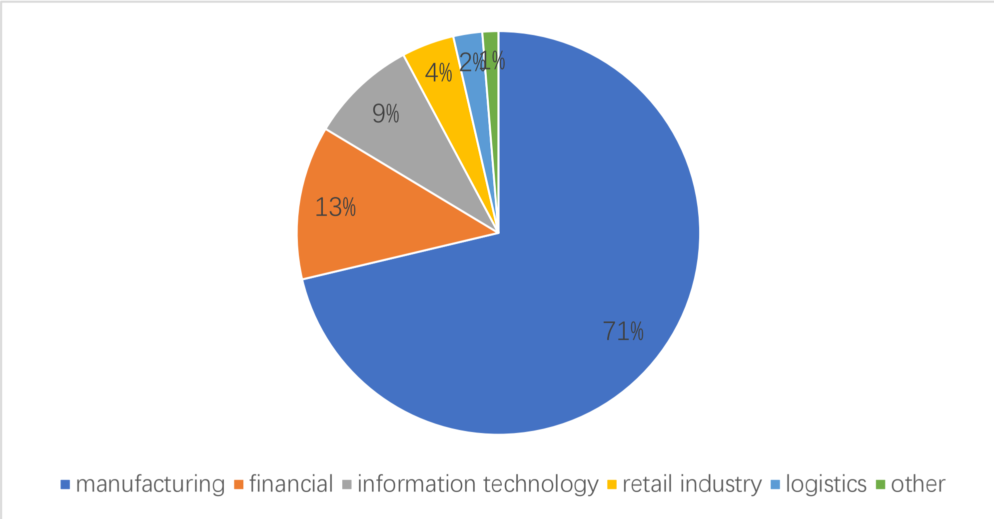


Figure 3-3 Industry Distribution of Multinational Corporation Investments in Hungary** Source: Hungarian statistics office

Hungary, with its advantageous geographical location, stable political environment, and developed infrastructure, has attracted numerous multinational corporations from various industries, injecting strong impetus into its economic development. This comprehensive and multi-layered trend of foreign investment is evident in the choices of many well-known enterprises, including Dutch Bank, UniCredit Bank Austria, Huawei, BYD, Contemporary Amperex Technology (CATL), and Walmart, to establish a presence in Hungary. [31](.Lin Jialun. 2018)This not only underscores Hungary's attractiveness as an investment destination but also provides robust support for the country's vibrant economic growth.

[30] Yin Congyun. Analysis of Intellectual Property Protection and the Foreign Direct Investment Strategies of Multinational Corporations [J]. Science and Technology Information, 2019, 17(18): 195-196.

[31].Lin Jialun. Analysis of the Reasons for Investment by Multinational Corporations in China: A Case Study of IBM Corporation [J]. Shanxi Agricultural Economics, 2018(17): 25-26.

1.11 Investment Strategies Adopted by Multinational Corporations in Hungary

The investment methods of multinational corporations in Hungary can be comprehensively analyzed from two aspects: entry methods and funding methods. These reflect their strategies and characteristics when utilizing Hungary as an investment destination.

Firstly, multinational corporations primarily use two modes to enter the Hungarian market: direct investment and indirect investment. In direct investment, greenfield investment and merger and acquisition (M&A) investment are two common approaches. In the initial stages, many multinational corporations choose to enter Hungary through greenfield investment, which allows companies to manage their operations more flexibly to ensure compliance with their strategic plans. However, with the acceleration of global expansion, new investments have proven inadequate to meet the demands of rapid expansion. Therefore, M&A has become the preferred approach for many companies to expand. In Hungary, many well-known multinational corporations, such as Italian energy companies, Sony, Austrian electricity companies, and Chinese company Haier, choose to enter the market through acquisitions to quickly gain resources and market share.[32](Wang Bimin. 2018)

Secondly, based on the different funding methods, foreign-funded enterprises can be categorized into joint ventures, cooperative enterprises, and wholly foreign-owned enterprises. In the early stages of economic reforms and opening up, many foreign-funded enterprises chose joint ventures or cooperation with local companies to break through market barriers and become familiar with the Hungarian economic environment. However,

[32] Wang Bimin. The Impact of Foreign Direct Investment by Multinational Corporations on Advancing Economic Globalization [J]. Modern Communication, 2018(16): 206-208.

as multinational corporations gained a deeper understanding of the Hungarian market and adjusted their global strategies, wholly foreign-owned enterprises gradually became the preferred mode to avoid market incompleteness and protect proprietary technology[33](Ji Hong, Ping Liqun. 2017,). This trend has become increasingly evident in recent years, reflecting the strategic adjustments of multinational corporations investing in Hungary. Figure 3-4 below illustrates the evolving trend of investment methods used by multinational corporations in Hungary:

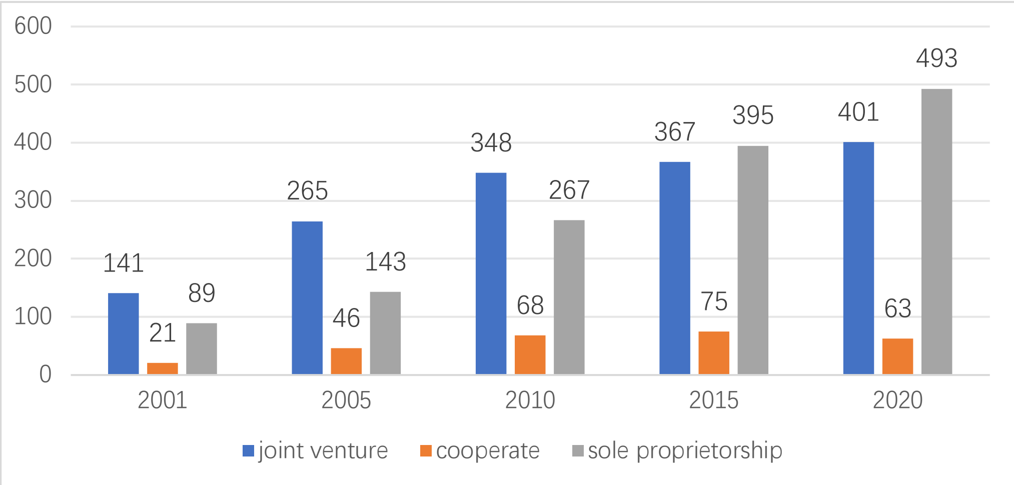


Figure 3-4 Evolutionary Trend of Investment Methods Used by Multinational Corporations in Hungary Source: Google

33 Ji Hong, Ping Liqun. Adjustment and Reasons of Japanese Multinational Corporations' Direct Investment in China [J]. Japanese Studies, 2017, 31(06): 12-20.

2 Material and Method

In recent years, Hungary has witnessed a thriving trend in attracting investments from multinational corporations. Despite the significant gap compared to economic powerhouses like the United States and China, Hungary has displayed considerable competitiveness within the European context[34](.Zhou Youming. 2017). This reflects the high recognition of Hungary's favorable investment environment by multinational corporations. However, the involvement of multinational companies is expected to have a profound impact on Hungary's economic development. To further attract more multinational corporations to invest, Hungary needs to intensify its efforts in developing its economic, political, and social environment, continuously enhancing its overall strength. Additionally, the integration of foreign capital with local resources brought about a series of positive economic effects, making a significant contribution to Hungary's rapid development. This virtuous interaction has laid a solid foundation for Hungary's prosperity. [35] (Wang Xiangzhen. 2017)

2.1 Empirical Analysis of the Impact on Hungary's Economic Growth

Large-scale foreign direct investment by multinational corporations has had a variety of positive impacts on economic development. Firstly, they effectively address Hungary's construction funding shortages in areas such as urban development, road transportation, and resource development. For instance, significant projects like road construction, hydroelectric power, mining, and coal extraction require substantial

[34].Zhou Youming. Discussion on China's Enterprises' Overseas Investment and Countermeasures [J]. Guangxi Electric Power, 2017(07): 46-50.

[35] Wang Xiangzhen. A Strategic Study on China's Multinational Corporations' Investment in the United States [J]. Reform and Opening Up, 2017(02): 16+22.

financial support, and multinational corporate investments effectively bridge this funding gap, facilitating the smooth progress of these investment projects. Secondly, the technology spillover effects from multinational corporations also play a positive role in enhancing local technological levels and labor productivity. Additionally, the presence of multinational corporations has provided significant impetus for Hungary's export-oriented economic development, promoting an increase in import and export trade, which, in turn, further stimulates local employment and consumption. In summary, multinational corporate investments, through the series of economic effects mentioned above, effectively promote Hungary's economic growth. To further confirm the positive contribution of multinational corporate investments to Hungary's economic growth, we can employ empirical analysis methods to examine their role in Hungary's thriving economy.

2.1.1 Model building

According to the Cobb-Douglas production function [36](Kong Wei.2016), economic growth primarily relies on the input of two production factors, namely labor (L) and capital (K). Assuming there are no scale effects, the function for economic growth can be expressed as:

$$GDP = AK^{\alpha}L^{-\alpha} \qquad (1)$$

In the above function, we denote factors like technological advancement, which cannot be directly observed, as A. However, it is evident that the capital variable in this function does not differentiate between domestic and foreign investments in Hungary but treats them equally. Nevertheless, in an open economy, the investments of multinational corporations constitute an important part of capital (K). In fact, numerous studies have already made it clear that there is a fundamental distinction between foreign direct investment and domestic investment in Hungary because it includes elements like technology, institutions, and management experience. Given this, we should further decompose the capital (K) in the

[36] Kong Wei. Analysis of China's Outward Foreign Direct Investment by Multinational Corporations in the New Situation [J]. Hebei Enterprise, 2016(05): 88-89.

function into domestic capital (Kh) and foreign capital (Kf) [37](Gong Lili.2016,), as follows:

$$K = K_h^{\beta} K_f^{1-\beta} \qquad (2)$$

Here, K, Kh, and Kf represent the total capital level in Hungary, domestic investment in Hungary, and foreign investment in Hungary, respectively. (1-β) is the weight of foreign investment in total capital[38](Kong Wei, 2016). After adjustment, equation (1) becomes:

$$GDP = A\ (K_h^{\beta} K_f^{1-\beta})^{\alpha} L^{1-\alpha} \qquad (3)$$

To linearize equation (3) and reduce the impact of heteroscedasticity, a double logarithmic model is used. Taking the logarithm of both sides of equation (3) and introducing a random variable μ [39](.Si Yuefang, Li Yingge, 2015), we get:

$$LnGDP = LnA + \alpha\beta LnK_h + \alpha\ (1-\beta)\ LnK_f +\ (1-\alpha)\ LnL + \mu \qquad (4)$$

Here, (αβ) represents the elasticity of domestic investment in Hungary with respect to GDP growth, α(1-β) is the elasticity of foreign investment with respect to GDP growth, and (1-α) represents the elasticity of labor with respect to GDP growth.

Furthermore, considering that foreign investment takes some time to impact economic growth due to various stages like introduction, establishment, production, and sales, we introduce lagged variables of foreign investment in the above econometric model.

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[37] Gong Lili. Empirical Analysis of Factors Affecting Foreign Direct Investment by Multinational Corporations in China [J]. Journal of Harbin Institute, 2016, 37(12): 52-55.

[38] Kong Wei. Analysis of China's Outward Foreign Direct Investment by Multinational Corporations in the New Situation [J]. Hebei Enterprise, 2016, 37(12): 52-55.

[39].Si Yuefang, Li Yingge. A Review of Research on Outward Foreign Direct Investment by Chinese Multinational Corporations [J]. Exploration of Economic Issues, 2015(12): 169-175.

In this case, a two-period lag is used [40](Pang Zhexian, Kang Yalei, 2015), and the model becomes:

$$LnGDP = LnA + \alpha\beta LnK_h + \alpha\,(1-\beta)\,LnK_{f_t} + \alpha\,(1-\beta)\,LnK_{f_{t-1}} + \alpha\,(1-\beta)\,LnK_{f_{t-2}} + (1-\alpha)\,LnL_t + \mu_t \quad (5)$$

2.1.2 Data shows

This study utilized time-series data spanning from 2005 to 2022. In terms of data collection, we employed GDP data calculated using the expenditure method provided by the Hungarian Fiscal Data Survey. In the analysis process, the impact of inflation was not considered. This is because, in terms of data processing, the influence of inflation relative to the overall GDP magnitude can be deemed negligible.

The labor force (L) data was obtained from the annual number of employees in Hungary at the end of each year, as provided by the Hungarian Fiscal Data Survey.

Hungary's foreign investment data theoretically includes both foreign direct investment and other investments. Given that direct investment refers to investments directly involved in production or services, with a real impact on local economic growth, while other investments exist in non-productive forms and have no difference in their effect on GDP compared to domestic investment [41](Feng Hua, Xin Chengguo,2015), this study used actual foreign direct investment data. This data was sourced from the Hungarian Fiscal Data Survey, taking into account the actual utilization of foreign capital.

[40].Pang Zhexian, Kang Yalei. Evaluation of the Financial Effects of Foreign Direct Investment by Multinational Corporations [J]. Economic and Trade Practice, 2015(11): 133.

[41] Feng Hua, Xin Chengguo. Multifaceted Analysis of China's Outward Foreign Direct Investment by Multinational Corporations [J]. Dongyue Tribune, 2015, 36(10): 170-174.

Regarding domestic capital input, two indicators can be chosen: "total fixed asset investment in the whole society" and "total domestic capital formation" [42](Li Xuan, 2015). This study selected the "total fixed asset investment in the whole society" data provided by the Hungarian Fiscal Data Survey as a representative of domestic capital input.

2.1.3 Measurement results

Based on the data above, using EVIEWS 10 software and the OLS method, the following regression results were obtained:

$$LnGDP = -70.2158 + 0.5887LnK_h + 0.0631LnK_{f_t} + 0.0548LnK_{f_{t-1}} +$$

$$0.0195LnK_{f_{t-2}} \quad (-1.9024)$$

$$(10.4422)^{*} \quad (3.4945)^{*} \quad (2.8786)^{*} \quad (1.0879)^{**} +$$

$$8.7764LnL_t \quad (1.8769)^{**} \quad (6)$$

$R^2 = 0.9988 \qquad \overline{R^2} = 0.9982 \qquad F = 1532.547$

Note:

1 indicates significant at the level

2 The data in parentheses is the value of the variable's statistic

Based on the obtained econometric results, the model's goodness of fit reaches 0.9988, with an adjusted R² value as high as 0.9982. Furthermore, the statistical measures indicate that the model fits the observed values exceptionally well. Specifically, the coefficients for domestic investment and foreign direct investment are both positive and have passed significance tests, indicating their significant role in driving Hungary's economic growth. In terms of the coefficients themselves, domestic

[42] Li Xuan. Review and Prospects of Research on Location Selection Theory of Foreign Direct Investment by Multinational Corporations [J]. Journal of Northeast Normal University (Philosophy and Social Sciences Edition), 2015, 6(1): 10-14.

investment (represented by Hungary's annual total fixed asset investment data) contributes to economic growth by 59%. It's worth noting that this does not yet consider the lagged effects of fixed asset investment, which could make the contribution of domestic investment to economic growth even more pronounced.

Regarding the foreign direct investment variable, the coefficient for the current level is higher than the coefficients for the one-period and two-period lags. This suggests that the impact of current investment on the economy is more significant, which aligns with the real economic situation. Additionally, the sum of the coefficients for the foreign direct investment variable (including lagged variables) is 0.1374, indicating a fairly significant contribution to economic growth.

Furthermore, the coefficient for the labor variable is 8.7, making it the most prominent contributor to economic growth.

2.1.4 Analysis of the conclusions

According to the Cobb-Douglas growth function, economic growth is primarily driven by the inputs of capital and labor [43](Huang Lingyun, Luo Qin, Liu Xiaming, 2014). Through the analysis of the model described above, several important conclusions can be drawn:

Firstly, the input of capital plays a significant role in promoting economic growth, with domestic investment being particularly significant and dominant. This highlights the importance of domestic investments in driving Hungary's economic growth.

Secondly, foreign direct investment, as a complement to domestic investment, also has a very noticeable impact on economic growth. This phenomenon can be explained partly through the gap model and can also be attributed to the spillover effects and human capital effects.

Within the model, the coefficient for labor is the largest. This can be explained by Hungary's profile as a country with relatively developed agriculture and

[43] Huang Lingyun, Luo Qin, Liu Xiaming. Market Effects of China's Outward Foreign Direct Investment (OFDI): An Analysis Based on Different Ownership Enterprises [J]. International Trade Issues, 2014, 32(12): 140-154.

manufacturing industries, where labor-intensive sectors are predominant. As a result, labor force plays a crucial and highly significant role in driving economic growth.

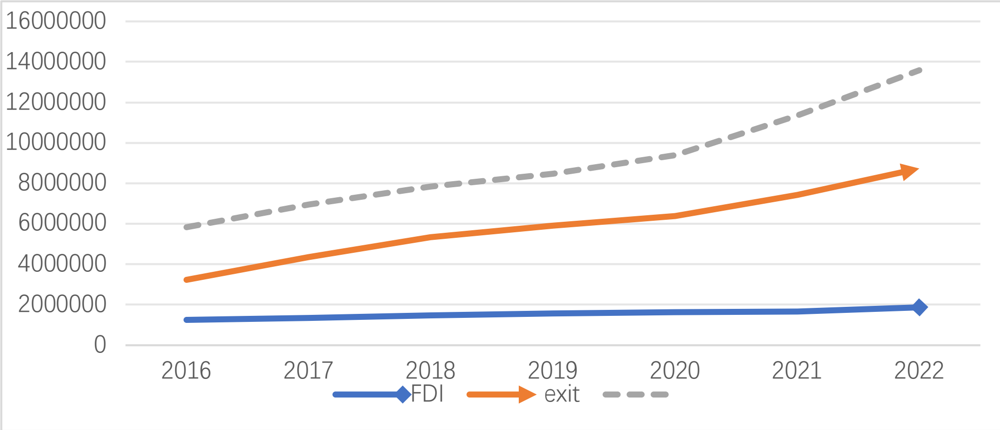
In summary, the model analysis suggests that the combined effects of capital, both domestic and foreign, and a labor-intensive economic structure contribute significantly to Hungary's economic growth.

Effects on Hungary's Imports and Exports

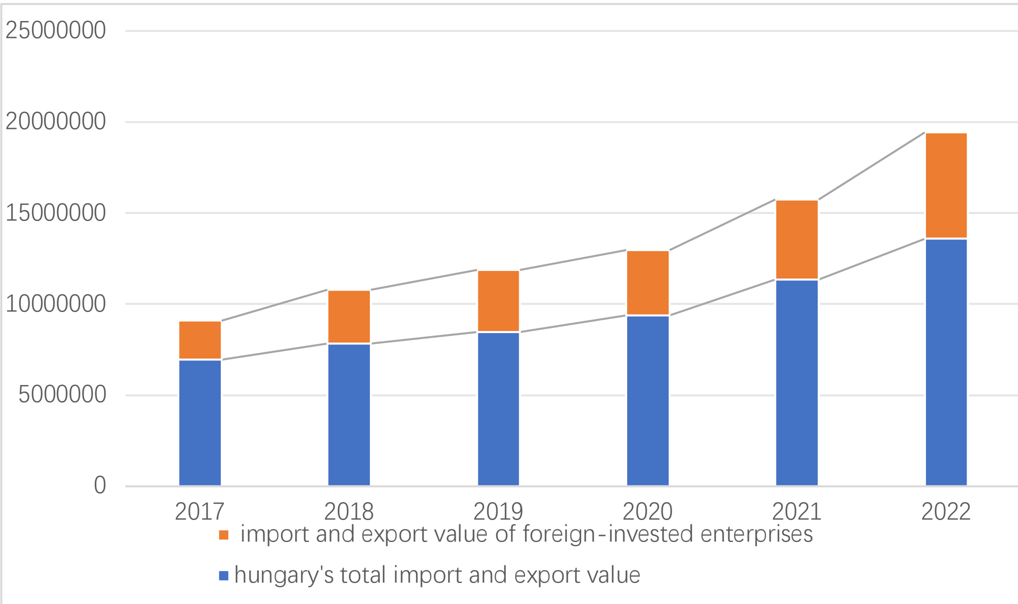
Multinational corporations' investments have had various impacts on Hungary's imports and exports. Firstly, they have facilitated an increase in imports through mechanisms such as introducing investment equipment and technology transfer. Secondly, many multinational corporations choose to invest abroad to relocate high-cost products produced in their home country and then re-export them, directly boosting Hungary's exports [44](Liu Qing, Zhang Chao, Lü Ruosi, 2013). These multinational corporations view Hungary as a manufacturing base, providing products to global markets. Table 4-1 and Figure 4-1 clearly illustrate the interrelation between Hungary's foreign direct investment and its imports and exports. The computed correlation coefficient between Hungary's foreign direct investment and its imports is 0.951, and with exports, it is 0.953, indicating a high degree of correlation between them.

In conclusion, multinational corporations' investments have not only enhanced Hungary's export competitiveness but also driven import growth. Since 2017, the total imports and exports of foreign-funded enterprises have accounted for more than half of the national total imports and exports each year, demonstrating their significant role in imports and exports. Additionally, Figure 4-2 vividly shows the proportion of foreign-funded enterprise imports and exports in Hungary's total imports and exports, indicating a rising trend in their contribution to Hungary's trade over the years.

[44] Liu Qing, Zhang Chao, Lü Ruosi. Research on Spillover Effects of Multinational Corporations in China: A Perspective of Human Capital [J]. Research on Quantitative Economics and Technical Economics, 2013, 12(13): 230-234



4-1 Hungary's FDI, import and export relationship chart, Source: Hungarian statistics office



4-2 The role of foreign-invested enterprises in Hungary's total import and export value Source: Hungarian statistics office

2.3 Technology Spillover Effects

Technological progress is considered one of the most critical drivers of regional economic development, and, as such, enhancing technological capabilities and innovation has become a vital strategy for economic development in countries [45](Wang Fengbin, Yang Yang,2013)

The process of achieving technological innovation shows distinct phases (as shown in Figure 4-3). Advanced innovation, as the ultimate stage of technological innovation, plays a crucial role throughout the entire process of technological innovation [46](Liu Shengjun, Tong Zhannan, 2014). Overall, Hungary's level of technological innovation should be positioned in the third or fourth stage of technological innovation, indicating its relatively strong technological innovation capabilities. This provides a solid foundation for Hungary's future economic development.

With a strong foundation in the information industry and a significant pool of related technical talent, Hungary has successfully attracted many multinational corporations to establish research and development facilities and technology centers. An analysis of the above statistical data reveals that these multinational corporations are primarily involved in the information industry. This phenomenon not only underscores their high regard for Hungary's information industry infrastructure but also indicates that the concentration of numerous research and development organizations in related sectors will generate significant spillover effects, further enhancing the competitiveness of this industry.

Furthermore, these research and development facilities include both satellite laboratories and contract laboratories [47](Li Wenying.2008). Their collaboration and interactions with local businesses and institutions are bound to lead to technology dissemination and spillover effects. At the same time, local businesses can consider these research and development centers as windows to understand international technological trends. By collaborating with them, they can enhance their own technological capabilities, giving them a competitive

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[45] Wang Fengbin, Yang Yang. Differentiation and Integration of Outward Foreign Direct Investment Behavior of Multinational Enterprises: An Empirical Study Based on the Market Value of Listed Companies [J]. Management World, 2013, 14(32)

[46] Liu Shengjun, Tong Zhannan. Analysis of the Economic Effects of Foreign Direct Investment by Multinational Corporations on Host Countries [J]. Business Economics, 2014(21): 72-87.

[47] Li Wenying. Negative Effects and Countermeasures of the Wholly-Owned Operations of Multinational Corporations on China's Industrial Security [J]. Exploration of Economic Issues, 2008(01): 34-37.

edge in international markets. This mutual cooperation and exchange will inject new momentum and vitality into Hungary's technology industry.

3. Results and evaluation

3.1 Firm Commitment to Promoting Legal and Regulatory Development

Hungary needs to continually promote the ongoing optimization of regulations and policies. This includes the continuous improvement and adjustment of investment procedures, tax policies, labor regulations, and other aspects to adapt to changes in the investment environment and the needs of multinational corporations. At the same time, the government should actively listen to the opinions and suggestions of multinational corporations and promptly address any issues they may encounter during the investment process, ensuring the protection of investors' legal rights and interests.

For example, there should be a focus on the formulation of international regulations, taking into full consideration the characteristics of the international operations of multinational corporations to avoid conflicts with the laws of their home countries, ensuring the implementation of regulations and the compliance of enterprises. Establishing efficient mechanisms for sharing information with the judicial systems of the home countries of multinational corporations, strengthening supervision and compliance reviews of their local operations, and ensuring the international recognition of regulatory enforcement are crucial steps[48](Gao Hong, 2008). Additionally,

[48] Gao Hong. Comparative Analysis of Direct Investment in China by Two Types of American Multinational Corporations [J].

the establishment of independent regulatory bodies dedicated to monitoring the business activities of multinational corporations and ensuring the fair enforcement of regulations is also a key measure.

Furthermore, Hungary can establish a robust investor protection mechanism, providing multinational corporations with a fair and transparent investment environment to safeguard their legal rights and interests. Most importantly, regulations should be continually optimized, with regular assessments and corresponding adjustments based on changes in economic development and the operational models of multinational corporations, ensuring the timeliness and flexibility of the regulatory system.

3.2 Strengthening Investment Environment

To attract more multinational corporate investments, Hungary needs to actively establish a transparent and stable investment environment. This includes ensuring the transparency of all relevant laws and regulations to prevent investors from being confused by unclear provisions. The government should also maintain policy stability, avoiding frequent regulatory changes to enhance investor confidence[49](Bao Sheng, 2007). Additionally, it is crucial to establish an open and transparent investment approval and decision-making process, allowing investors to understand the approval process and timeline for their investment applications, thus avoiding unnecessary delays.

Furthermore, Hungary should reduce the tax burden on businesses by providing tax incentives. This can involve certain levels of profit reduction or specific tax benefits for multinational corporations operating within Hungary, thereby lowering their operating costs in the country. This approach should make Hungary more competitive in terms of taxation compared to other countries, attracting more multinational

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China Market, 2008(09): 142-147.

[49] Bao Sheng. The Impact of Foreign Direct Investment by Multinational Corporations on the Chinese Economy [J]. Commercial Modernization, 2007(17): 134-137.

corporations to invest there. Hungary should develop corresponding tax incentive policies for specific industries or types of investment projects, offering multinational corporations more flexible and favorable tax treatment[50] (Shi Haisheng, 2007). For example, tax incentives should be provided in areas such as high-tech industries or environmental protection industries to encourage related enterprises to invest.

Moreover, Hungary should sign double taxation treaties with other countries to avoid multinational corporations incurring additional operating costs due to cross-border taxation, enhancing the predictability and stability of the investment environment. Establishing dedicated investment service agencies or one-stop service centers for multinational corporations to help resolve various investment-related issues and improve investor satisfaction is also essential.

3.3 Enhanced Post-Investment Management of Multinational Corporations

The Hungarian government can establish dedicated contact points or agencies responsible for communication with multinational corporations. These contact points can be composed of department heads or specialized teams tasked with collecting, organizing, and analyzing information from multinational corporations for timely reporting to the government's top leadership. The government can hold regular meetings with multinational corporations to engage in in-depth discussions about the company's operations, development plans, and challenges. These meetings can be scheduled quarterly or semi-annually to ensure open communication[51] (Liu Yi.2007). During these meetings, the government should actively seek the opinions and suggestions of multinational corporations, understand their specific situations in

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[50] Shi Haisheng. Implications of the Majority Ownership of Foreign Direct Investment by Multinational Corporations in China [J]. Western Finance and Accounting, 2007(04): 242-243.

[51] Liu Yi. Analysis of the Utilization of Foreign Direct Investment by Multinational Corporations [J]. Contemporary Economy, 2007(07): 79-87.

Hungary, including market feedback, talent needs, regulatory compliance, and more. The government can provide relevant support or solutions based on the feedback from multinational corporations to promote healthy business development. It should also respond positively to issues raised by multinational corporations, offering policy guidance and support as needed. By establishing such regular communication mechanisms, Hungary can maintain close ties with multinational corporations, stay informed about their needs and challenges, and provide strong support for their ongoing development[52](Wang Tao, 2007). Additionally, it can promote cooperation and win-win partnerships between the government and businesses, jointly driving the prosperity and development of the Hungarian economy.

Furthermore, Hungary can encourage multinational corporations to actively fulfill their social responsibilities, promoting social harmony and economic development. This not only enhances a company's social image but also aligns with Hungary's overall strategic direction for economic development, achieving a win-win situation[53] (Miao Keping, Tang Zhengkang 2007). Hungary can establish close connections between multinational corporations and local communities, encouraging businesses to participate in local community development. For instance, encouraging corporate involvement in charitable activities and poverty alleviation, providing financial and material support, promotes social harmony and stability. The government can also encourage multinational corporations to engage in environmental protection activities, urging them to take environmental measures to reduce negative environmental impacts. For example, by establishing environmental incentives and conducting environmental awareness campaigns, the government can guide companies to actively participate in environmental protection efforts, promoting sustainable development. At the same time, the government can establish mechanisms to protect employee rights, ensuring compliance and fairness in human resource management by

[52]Wang Tao. Effects and Motives of Foreign Direct Investment by Multinational Corporations in China: An Analysis Based on Industrial Organization [J]. Productivity Research, 2007(18): 65-67.

[53]Miao Keping, Tang Zhengkang. New Trends in Foreign Direct Investment by Multinational Corporations and China's Choice of Countermeasures [J]. Theoretical Exploration, 2007(06): 32-43.

multinational corporations[54](Shi Haisheng, 2007). This includes safeguarding labor rights, compensation, and benefits for employees, thereby enhancing a company's social image and reputation.

4. Conclusion

With the acceleration of globalization, the rise of multinational corporations has become one of the important engines driving global economic development. This trend is characterized by the deepening of international economic integration, rapid advancements in information technology, and the expansion and facilitation of international trade. As international markets become increasingly competitive, multinational corporations are actively seeking global investment opportunities to acquire more resources, market share, and technological advantages. Among these opportunities, the European region has become a crucial destination for multinational corporations from various countries to invest in[55](Zhu Hongwei.2006). The investment activities of multinational corporations not only reflect a significant aspect of economic globalization but also promote exchanges and cooperation in various fields such as economics, technology, and culture among nations. They provide powerful impetus for the economic development of countries and, at the same time, bring advanced technology, managerial expertise, and employment opportunities to the host countries. However, while enjoying the dividends brought by investments from

[54]Shi Haisheng. Analysis of the Ownership Issue in Foreign Direct Investment by Multinational Corporations in China [J]. Journal of Taiyuan Urban Vocational College, 2007(03): 145-146.

[55] Zhu Hongwei. Externalities of Foreign Direct Investment by Multinational Corporations and Their Implications [J]. Southern Finance, 2006(04): 32-35.

multinational corporations, countries also need to strengthen corresponding policy formulation and management to ensure the sustainable development of investment activities and mutual benefits.

In the process of researching the investment situation of multinational corporations in Hungary, we conducted an in-depth analysis of the significant impact they have had on Hungary's economic development. Their investments in Hungary have not only stimulated sustained economic growth but have also propelled industrial upgrading and innovation by introducing advanced technology, managerial expertise, and market mechanisms. Additionally, their investments have created a substantial number of job opportunities, raising the living standards of local residents. Furthermore, the evident technological leadership of multinational corporations has helped Hungary achieve significant achievements in some high-value-added industries. To fully leverage the positive effects of these investments, Hungary needs to steadfastly promote legal and regulatory development, enhance investment environment construction, establish regular communication mechanisms, and strengthen post-investment management for multinational corporations to ensure that their investments in Hungary continue to yield positive results. In summary, multinational corporations have played a proactive role in Hungary's economic development and provided a solid foundation for cooperation and mutual development between the corporations and Hungary.

5. Summary

This paper examines investments by Chinese multinationals in Europe, specifically in Hungary. The research covers various aspects, including research background, methodology, China's business policies in Europe, motivations of multinational companies, scale of investment by multinational companies in Hungary, country origin, industry distribution and investment strategies. In addition, an empirical analysis of the impact on Hungary's economic growth is conducted, including data presentation, the impact of imports and exports, and technological spillovers. The findings indicate that MNCs play an important role in promoting legal and regulatory development, strengthening the investment climate, and improving post-investment management of MNCs. Taken together, this study provides an in-depth understanding of Chinese MNE investments in Europe and Hungary and highlights their positive impact on the local economy.

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