

BULLETIN

No. 63 (396) • June 29, 2012 • © PISM

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China in Hungary's Foreign Policy

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In 2010–2012, Hungary's government made numerous efforts to strengthen Sino–Hungarian relations. This was the result of both the increasing global importance of China and Hungary's acute need for a new source of investment in its economy. Budapest's active policy towards the Middle Kingdom was facilitated by political and economic ties established in the previous decade. However, the effects of the last two years of rapprochement have proved unsatisfactory for Hungary, whose position was weakened by its unstable economic situation and its confrontational policy towards the EU.

From 2010 to 2012, the diplomatic efforts of Hungarian Prime Minister Viktor Orbán's centre-right government were concentrated on reinforcing political and economic relations with many Asian countries, from Northeast Asia, through Central Asia and Transcaucasia, to the Persian Gulf. Missions of high officials headed by the prime minister, president, the speaker of the National Assembly and ministers included visits to Armenia, Azerbaijan, Brunei, Georgia, Kazakhstan, Malaysia, the Philippines, Saudi Arabia, Thailand, Turkmenistan, United Arab Emirates and Uzbekistan, and multiple trips to Russia and China. This eastern focus already enjoys equal status with the traditional priorities of Hungary's foreign policy as well as a firm conceptual footing—the so-called Eastern Wind doctrine.

Basis for Sino–Hungarian Relations. Because of its political, economic, military and demographic potential, China is Hungary's most important Asian partner. The rapprochement began in August 2003, when Péter Medgyessy became the first Hungarian Prime Minister since 1959 to pay a three-day visit to Beijing. Since then, his two successors have also been in China, a move reciprocated by General Secretary of the Communist Party of China Hu Jintao (2004) as well as Vice President Xi Jinping (2009). As a result, educational contacts (a Hungarian–Chinese Bilingual Elementary School opened in Budapest in September 2004) and cultural contacts (the Confucius Institute opened in Budapest in December 2006; and the Hungarian Season exposition was in China in 2007–2008) have been significantly developed.

2004 marked the beginning of an increase in trade between the two countries, with trade volume tripling compared with the previous year (from \$1.2 billion in 2003 to \$3.3 billion in 2004). Since then, economic cooperation each year has been intensified, peaking in 2008 at \$7.2 billion. In terms of FDI in Hungary, it rose in 2010 to around \$460 million and covered more than half of all Chinese investments in Central Europe.

The historical roots of the rapprochement precede the growth of Hungary's attractiveness following its accession to the European Union in 2004. Of all the Central European countries, Hungary is where the largest Chinese diaspora lives (with an official estimate of 10,000–15,000 Chinese nationals). Moreover, both countries retain good memories of mutual cooperation after World War II and recall—not insignificantly—the Asian roots of the Hungarian nation.

Fidesz Party and China. Fidesz, the party representing the government, has taken an active attitude towards China, which may be surprising given its past. In 1989, Orbán, then a young democratic activist, organised a public protest in Budapest against the Tiananmen Square massacre. Ideological differences were indeed among the reasons why Hungary's relations to China were so distant during his first term, 1998–2002, as prime minister. In that period, the Hungarian consulate in Shanghai was closed, and Orbán held a meeting with the Dalai Lama. This reflected the influence

of the dissident experiences of the centre-right movements of 1990's Hungary, in particular in its foreign policy, which placed the promotion of human rights and civil freedoms above economic interests in relations with non-democratic states.

The shift in Fidesz's position is a pragmatic response to the changes in world politics that have made China one of the most important centres of global political and economic life. The pressure to shift is sharpened by Hungary's poor economic situation and its acute need to locate a new source of investment. After all, two months after his landslide victory in the elections, Orbán decided to end loan-extension talks with the International Monetary Fund (IMF) and the EU. For this reason, strong and, as it turned out in 2004–2010, economically beneficial relations with China started to be treated as a chance for economic recovery by Hungary, which had just deprived itself of funds from the West. Orbán has also stressed his respect for the Chinese ethos (ennoblement of work, reluctance to indebtedness, moderation in consumption), although in the current context of Sino–Hungarian relations these cultural aspects come a distant second to economic factors.

Hungarian Policy Towards China Since 2010 and the Results. The Orbán government has maintained the efforts of its predecessors to strengthen relations with China. The position of a special Commissioner for Hungarian–Chinese Economic Relations was not only kept but upgraded within the government. Hungary twice organised, in June 2011 and April 2012, China–Central Europe forums and, during its presidency of the EU Council, hosted the Asia–Europe Meeting (ASEM). In 2010–2012, there were also numerous contacts at the highest political level, including reciprocal visits by the prime ministers of both sides: Orbán went to Shanghai in October 2010 and Wen Jiabao visited Budapest in June 2011. During the latter visit, the Chinese made a promise to provide a loan of €1 billion to Hungary. A further sign of a change in Fidesz's policy towards China was when Orbán refused to meet with the Dalai Lama in September 2010.

And yet, the Hungarian authorities' most recent engagement with China has brought only partial political and economic success. On the one hand, Hungary has succeeded in attracting two big Chinese investors: technology company Wanhua spent \$1.25 billion in February 2011 to acquire full control over Hungarian chemical producer BorsodChem, and telecommunications company Huawei agreed in April 2012 to establish its European logistics centre in the country. In 2010 and 2011, good trade relations between Hungary and China were also maintained (\$8.6 billion and \$7.2 billion, respectively).

On the other hand, China has refused to join major Hungarian infrastructure projects (a downtown-to-airport high-speed train connection in Budapest or the Eurasian railroad line Záhony–Korgas). It also turned down the opportunity to help the airline Malév, bankrupted in the wake of an EU competition law case. Moreover, no detailed information was provided about either the promised loan or the purchase of Hungarian state bonds. Finally, the two countries failed to reach agreement on a bilateral "strategic partnership", although China signed a similar one with Poland.

Perspectives and Conclusions. The modest results of the Sino–Hungarian rapprochement in 2010–2012 can be explained in part by the lack of a clear Chinese strategy towards Europe. But it also lies with Hungary's unstable economic situation and its confrontational policy towards the EU. The pattern of China's relations with Hungary suggests that China is not interested in becoming an alternative pole for dissident EU states but rather wishes to engage with stable and well-integrated countries. Since China continues to declare its interest in Central Europe, Hungary may soon become a more attractive and predictable partner, especially after the restart of negotiations with the IMF. Therefore, the Chinese direction of Hungary's foreign policy will be retained, as evidenced by the planned visit of Orbán to Beijing in the second half of 2012.

The constructive development of Sino–Hungarian contacts could be profitable for Poland as well. As China becomes more interested in engaging with Central Europe as a whole, it will be more practical to be involved with a range of states in the region, rather than with just one. Because of its economic and demographic potential as well as its clear commitment to regional cooperation, Poland is likely to become a focus of Chinese activity. Of course, the EU may well be concerned at the growth of bilateralism between individual Member States and large external powers; however, the Sino–Hungarian relationship suggests that it is the maintenance of good relations with other EU states that makes a country attractive to China. Hence, it is recommended that Poland carry on bilateral dialogue with Beijing and at the same time encourage regional partners to work together to attract investors from the Far East.