

**Beyond de-risking: investigating Hungary's receptivity to Chinese investment from
a semi-periphery perspective**

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Purpose: The aim of this study is to, from a critical perspective of international relations, explain the seemingly puzzling warm receptivity to Chinese investment in Hungary compared to many fellow European countries. In so doing, the study illustrates how to ‘endogenize’ international relations factors in IB research.

Design/methodology/approach: The study serves to provide a fresh perspective, particularly regarding ‘endogenizing’ international relations factors in the study of receptivity to FDI. It focuses on receptivity to Chinese investment in Hungary and draws upon qualitative interviews with senior government officials, advisors, academics, and business representatives who are directly involved in or have profound knowledge about Chinese investment.

Findings: The study identifies that, situating in a semi-periphery country, policy elites under the Orbán government in Hungary had a unique assessment of opportunities and risks associated with Chinese investment. In contrast to the tendency in the core countries to perceive Chinese investment as presenting high security, economic and political risks, the Orbán government were not keen for security framing as they did not see much strategic assets to protect; neither did they have much political concern about Chinese FDI. Instead, their focus seemed to be on reaping the economic benefits of FDI and reducing its dependence on the German economy and (traditional) automotive industry.

Originality: The study offers a fresh perspective of host country receptivity to foreign investment, foregrounding international relations factors in IB research.

Practical implications: The analysis suggest that it does not make sense to have a one-size-fits-all de-risking approach to China and Chinese FDI. Instead, countries should consider their own circumstances including international relations and their positions in the network of international systems. A nuanced understanding of the differences between the core, the periphery, and the semi-periphery can enrich academic debates and policy choices regarding the future of global FDI flows.

Key words: Chinese investment, receptivity, FDI, semi-periphery, international relations, Hungary

1. Introduction

Recent years have witnessed a volatile geopolitical environment. US-China rivalry and the Russia-Ukraine conflict are contributing to greater global uncertainty, producing a more challenging environment for global investment including that from China. In this new era, China is increasingly viewed by the West as ‘systemic rival’ (European Commission, 2019) and ‘the biggest state-based threat to ... economic security’ (HM Government, 2021). As the President of the European Commission Ursula von der Leyen explicitly underlined, ‘there is clearly a need for Europe to work on de-risking some important and sensitive parts of our relationship’ (European Commission, 2023). This ‘de-risking’ approach has prompted a proliferation of foreign direct investment (FDI) screening regimes across Europe implicitly targeting China (Alami, 2024) but also a sustained decline of Chinese investment into Europe (EU-27+UK), which reached its peak of over €35 bn in 2016 and then a decade-long low of just €6.8 bn in 2023 (MERICS & Rhodium, 2017; MERICS & Rhodium, 2024).

This background makes the increasing Chinese FDI in Hungary more remarkable. Traditionally, the location of Chinese investment in Europe has been dominated by the so-called “Big Three” – the United Kingdom, Germany, and France. In recent years, however, Chinese investment appears to have become much less welcomed in these countries. At the same time, Hungary has emerged as the top destination for Chinese investment thanks to large-scale EV projects. In 2024, Hungary accounted for 31% of Chinese investments in Europe, while the combined share held by the “Big Three” was just 20%. In the same year, 4 of the top 10 ongoing Chinese investments in Europe were located in Hungary (MERICS & Rhodium, 2024)

Despite the recent recognition of heightened geopolitical tensions and a potential new era of de-globalisation among IB scholars (e.g., Han et al., 2024; Witt, 2019), the academic literature has not provided a satisfactory answer to the puzzling different attitude and stance of Hungary towards Chinese investment compared with fellow European countries. Traditional wisdom in IB tends to focus on the host countries’ institutional and political environment in understanding receptivity of FDI (e.g., Bhaumik et al., 2024; Duanmu, 2014; Joutsenvirta & Vaara, 2015). Therefore, traditional IB theories cannot adequately explain why, although under similar European regulatory frameworks and facing seemingly similar legitimacy concerns, Hungary has continued to welcome Chinese investment while many other countries have chosen to distance themselves from similar investment. We argue that this puzzle exposes a theoretical gap in IB research—namely, the insufficient theorisation of international relations

factors and, in particular, the host country's position in the wider network of international relations in shaping its receptivity towards foreign investment.

In this paper, we contend that it is insufficient to treat international relations as exogenous, contextual factors in the study of host country's receptivity to foreign investment. Instead, there is a need for a complementary perspective that foregrounds the wider structure of international relations. For us, the key research question is: how does the structure of international relations influence receptivity to FDI in host countries. Drawing on primary and secondary data based on Hungary's experience, we argue that its position as a semi-periphery country in the network of international relations could help to generate a better understanding of the country's seemingly puzzling attitude towards Chinese investment. In addition to its contribution to the debate on host country's receptivity to foreign investment, the paper also serves as an illustrative case of 'endogenizing' international relations factors in IB research (Bozonelos & Tsagdis, 2023; Casson, 2021). In particular, our analysis strengthens the call for incorporating the core-periphery (Boussebaa & Morgan, 2014) and structural dependence (Da Gama & Bui, 2024) features into international business studies.

2. Theoretical background

2.1 FDI receptivity in host countries

There has been a long tradition in IB of studying the issue of FDI receptivity in host countries. Among the various theoretical lens scholars have employed to analyse this phenomenon, institutional theory is arguably the most prominent. In this research tradition, it is contended that the receptivity of host countries to foreign investment is significantly influenced by the quality of their institutions, be it formal (e.g., legal, political, and administrative frameworks) or informal (e.g., social norms and societal attitudes). For example, countries with strong nationalist sentiments may be less receptive to foreign investment as Dinc & Erel (2013) contend in their study of M&As in a European context.

A number of scholars have studied FDI receptivity in host countries via the concept of 'legitimacy' of MNCs. Inspired by the institutional theory, they tend to adopt Suchman's definition of legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (1995: 574). A key focus of MNC legitimacy research is the congruence between host country's institutional environment (e.g.,

government's objectives) and MNCs' attributes and activities (Claasen & Roloff, 2012; Stevens et al., 2016). For instance, Banerjee & Venaik (2018), in their study of the legitimacy strategies of MNC subsidiaries in foreign markets, take the view that legitimacy reflects the way key stakeholders in the host countries, i.e. government actors and societal and community members, assess firm behaviour and its alignment with established institutional norms, values and beliefs in the host countries. Related studies have therefore explored the legitimation process which shapes congruence and its outcomes. Pant & Ramachandran (2012), for example, focus on the process of legitimation and identify five legitimation dynamics that explain how Indian software services firms acquire legitimacy in the US. Joutsenvirta & Vaara (2015), employing a critical discursive analysis to study a controversial investment project involving three countries, elucidate four legitimating discourses and the way they are constructed and mobilized in different national settings. Andrews et al. (2022), in their study of MNC response to superstitious practices among local subsidiary managers in Myanmar, provide insight into the process through which MNCs interact with competing institutional demands in the host country to maintain legitimacy.

Another research stream focuses on political risks, particularly in emerging markets, which are argued to deter foreign investment (Kobrin, 1979). In this tradition, scholars have examined risks foreign investors may come across, including discrimination against foreign firms (Duanmu, 2014), unanticipated and politically motivated environmental and regulatory instability (Henisz, 2000; Nguyen et al., 2018), and corruption and lack of transparency (Cuervo-Cazurra, 2006; Sartor and Beamish, 2018). A related line of research takes the political economy perspective to examine host countries' receptivity to FDI, with a focus on political structures, economic policies, and interest groups in shaping FDI receptivity or hostility. Pinto (2013), for instance, argues that government ideology influences FDI policies: whereas right-leaning governments, which prioritize free-market principles and deregulation, tend to be more welcoming of foreign investors, left-leaning governments may emphasize protectionist policies, nationalization of industries, and labour rights, potentially creating a less favorable environment for FDI. Similarly, Bhaumik et al. (2024) examine how the heterogeneity of state objectives influences MNE-state bargaining. They highlight that in democratic states prioritising citizens' welfare, governments are more likely to implement policies that attract FDI, such as improving institutional quality and offering incentives. Conversely, in autocratic regimes where elites prioritise personal gains, there may be resistance to FDI to protect domestic interests.

The aforementioned literature displays a rich tradition of investigating host countries' institutional and political environment in understanding receptivity towards FDI.

However, we concur with Boussebaa & Morgan(2014) and Dörrenbächer & Michailova (2019) and contend that studies of international business need to be placed within a broader societal context to appreciate the complexities associated with multiple influences on MNCs and the variety of stakeholders with which they engage (Yu & Lindsay, 2017). While there is an increasing awareness of host country governments' ideological stance, economic policies and political objectives as discussed above in the study of host countries' receptivity to FDI, little attention is paid to the wider structure of international relations and how it influences the host countries' political and institutional environment and therefore their receptivity to FDI. Hence, we turn to the field of international relations (IR) with a focus on structural dependency and the concept of semi-periphery. We argue this can provide a complementary perspective and help to deliver a more comprehensive understanding of receptivity to FDI.

2.2 Structural Dependency and Hungary as a Semi-Periphery country

Mainstream IB frameworks, usually enlightened by institutional theory and political economy approaches, tend to focus on how firms respond to host-country institutions and environments. However, they rarely explain why those institutions and environments take particular forms in the first place. In traditional IB theories, institutions are usually treated as constraints determining FDI flow and shaping firm behaviour. IR scholars, however, have long argued that a country's institutions are subordinated to a broader national strategy shaped by its structural positions in the global economy (Kvangraven, 2021; Smith & Sarabi, 2022). We argue that this provides a much-needed perspective to deepen our understanding of host countries' institutions and environments and hence FDI receptivity.

One of the major contributions to the understanding of a country's structural position in the global economy and its characteristics and consequences could be credited to the structural dependency theory. With a keen interest in the relationship between international economics and international politics, a group of scholars examine the structural constraints to development in Latin America and contend that the nature of the international system itself might help to explain Latin America's inability to 'catch up' with the rich countries. The argument is that peripheral economies such as those in Latin America are structurally subordinated to and dependent on core economies in the West; the asymmetrical trade relations and capital flows between them ensures the former's dependence on the latter and the shift of economic surplus to the core (Cardoso & Faletto, 1979; Frank, 1967; Prebisch, 1950).

Wallerstein (1974, 1980), in his world systems theory, explicitly addresses the core-periphery relationship. He argues that the world-economy permits an unequal exchange of goods and services so that much of the surplus extracted in the periphery is transferred to the core. In addition, he also introduces a third category of semi-periphery states which occupy an intermediary position between industrialized core and peripheral economies. These countries are more developed than peripheral economies but lack the capital and innovation capacity of core states. Through their dual role as both exploiters and exploited, they act as a buffering zone between core and periphery.

More recent literature argues that semi-peripheral countries tend to occupy the mid-level stages of production – such as contract manufacturing or component assembly – without controlling high-value segments like product design, branding, or systems integration (Gereffi 1999; Gereffi 2018; Horner 2019). While they are deeply integrated into international trade and production chains, they continue to rely on lower-value foreign investment, limiting their ability to catch up with core status, but reinforcing dependency. In line with this argument, Cairó-i-Céspedes & Palacios Cívico (2022) argue that semi-peripheral economies should not be viewed as transitional zones, but as structurally entrenched positions in global capitalism. Based on empirical analysis of different types of countries, they suggest semi-peripheries retain important features of "extraverted accumulation" including foreign capital-driven growth and export dependence. This framework suggests a global economic hierarchy in which semi-peripheral countries can be dynamic but also persistently dependent.

Similarly, Nölke & Vliegenthart (2009), acknowledging the dependency feature of international economy, develop the Dependent Market Economy (DME) model in an attempt to capture the specific institutional and economic characteristics of post-socialist Central and Eastern European (CEE) economies. Their model emphasizes structural reliance on foreign capital, imported technologies, and external corporate control where national industrial policy often prioritizes investor confidence through tax incentives, selective regulation, and political patronage (Nölke & Vliegenthart 2009). These dynamics generate a form of embedded dependency that is not only economic but institutional, shaping education systems and labour market policies to accommodate the needs of foreign investors (Bohle and Greskovits 2012).

A key insight of the structural dependency literature is that core, semi-periphery, and periphery countries have distinct roles, interests, and strategies (Wallerstein, 1974; 2004). Core countries – widely viewed as industrialized, technologically advanced, and capital-abundant – are keen to preserve favourable terms of trade, maintain dominance in high-value production and global governance, and promote norms that lock in their advantages (Arrighi, 1994; Wallerstein, 2004). In contrast, peripheral countries typically focus on securing market access, foreign investment, and development aid. However, their structural dependency on exporting primary commodities or labour-intensive goods leaves them highly vulnerable to price shocks and external decision-making (Cardoso & Faletto, 1979; Frank, 1967). Positioned between these two extremes, semi-peripheral countries often pursue more ambivalent objectives. On the one hand, they aim to preserve the status quo by avoiding a slide into the periphery (Avlijaš & Gartzou-Katsouyanni, 2024). On the other hand, they seek to move upward into the core through FDI-driven industrial upgrading and technological development (Bohle & Greskovits, 2012). However, these upgrading efforts are frequently constrained when they are perceived as risky—whether because of domestic opposition from interest groups, uncertainty over the reforms required, or resistance from core states seeking to protect their privileged position. Table 1 summarizes the distinct characteristics, roles and interests of core, semi-periphery, and periphery countries.

Table 1 here

The implication is that countries assess opportunities and risks associated with foreign investment based on their different positions in the network of international relations and their different interests and objectives. Indeed, scholars increasingly argue that FDI from countries like China has catalysed a new “geoeconomic turn” in FDI policy in core countries, where economic openness is increasingly conditioned by strategic and security concerns (Chan & Meunier, 2022; Köncke & de Graaff, 2024). Interestingly though, the same Chinese investment (such as Huawei’s 5G investment) could be viewed as a grave security threat in one country (such as the U.S.) and at the same time welcomed in another (such as Hungary) (Reuters, 2019).

A number of studies have subsequently analysed the semi-peripheral status of Hungary. In particular, scholars have noticed that while the country has experienced noticeable industrial upgrading – particularly in manufacturing as a result of foreign FDI – this has not been matched by greater domestic control over value-added activities. As Szalavetz and Sass (2023) argue, Hungary has been an efficient low-cost production base for MNCs since the regime change in 1989 but has not been able to create strong

domestic linkages and innovation ecosystems. Foreign firms dominate key sectors, while decisions regarding R&D, technology, and supply chain strategy are typically made outside the country. This limits the spillover benefits of FDI and cements Hungary's subordinate position within the global economy. From a global value chains (GVCs) perspective, Hungary's integration is functional but may not be strategic: it participates as a production base without shaping the architecture of global production. With a focus on the automotive sector, Gáspár & Sass (2023) show that while Hungary has attracted considerable FDI and is deeply embedded in international production networks, value creation remains concentrated in foreign-owned headquarters abroad. The authors argue that the structural asymmetries in knowledge flows, innovation capacities, and strategic control limit Hungary's upgrading potential. Despite some signs of functional improvement, such as an increase in R&D activity, these shifts have not led to a systemic transformation. Also focusing on the automotive sector, Pavlínek (2022) argues that export-led industrial growth in Hungary does not necessarily lead to structural upward mobility. In the absence of adequate domestic capacity building and strategic control, functional integration into GVCs may only serve to reinforce existing dependencies, as has also been pointed out by Gerőcs (2021).

Discussion thus far indicates that Hungary occupies a structural position of semi-peripheral European political economy, characterised by the country's reliance on foreign capital and technology, partial industrial upgrading, and subordinate integration into global production networks dominated by MNCs from core countries and particularly Germany. Given semi-periphery's status as an unstable intermediate zone with possibility of both upward and downward mobility (Arrighi & Drangel, 1986), we argue that semi-peripheral decision makers are likely to exhibit heightened sensitivity to asymmetric dependency relations, leading to strong incentives to diversify external partnerships, reduce structural dependency, and encourage further industrial upgrading. When translating into FDI policies, we would therefore expect semi-peripheral decision makers to maintain a focus on FDI attraction, but they will also be keen to diversify sources of FDI and pursue high value-added FDI and assessing the associated opportunities and risks accordingly. This would put them in a contrasting position compared to their counterparts in core countries (see Figure 1), particularly in the current geopolitical environment where national security concerns have become increasingly influential in government policy towards international business (Buckley, 2020).

Figure 1 here

Therefore, we believe that understanding structural dependency and countries' positions in the network of international relations provides a useful perspective that helps to understand how opportunities and risks associated with FDI are assessed and therefore host country receptivity. In the rest of the paper, we demonstrate the usefulness of this perspective using Chinese FDI in Hungary as an example. Our aim is not to "prove" Hungary's semi-peripheral status, but to analyse how the Orbán government interpreted and articulated the country's structural conditions and how their interpretation and articulation shaped their attitude towards FDI.

3. Research context and methods

Since the regime change in 1989, Hungary has undergone deep integration into global capitalism and European economic structures. The process has been accompanied by a set of structural characteristics: a low level of domestic capital accumulation, a dual economic structure dominated by multinational corporations (MNCs), a high share of import value within exports, and persistent reliance on FDI as the main driver of industrial development (Gerőcs 2021; Vakhal 2023).

In Hungary, the dominance of MNCs is particularly salient in key manufacturing sectors such as automotive and electronics, where strategic functions like R&D, innovation, and supply chain coordination remain concentrated in foreign – mainly German – headquarters. As a result, domestic firms face substantial barriers to upgrading, while national industrial policy often prioritizes investor confidence through tax incentives, selective regulation, and political patronage (Nölke & Vliegenthart 2009). These dynamics generate a form of embedded dependency that is not only economic but institutional, shaping education systems and labour market policies to accommodate the needs of foreign investors (Bohle & Greskovits 2012).

Since 2010, the Orbán government have pursued policies that can be interpreted as a response to Hungary's semi-periphery status and the associated structural dependency, which Rogers (2024) characterises as a dual strategy: On the one hand, the state remains embedded in the European economic ecosystem; on the other, it has deepened ties with non-EU powers such as China and Russia. It is in this background that the Eastern Opening Policy was formally introduced by Mr. Orbán after he became Prime Minister again in 2010, with an increasing focus on China. China has since become an increasingly important source of foreign capital for the Hungarian economy. By 2023, China has become Hungary's second-largest overseas investor, after South Korea and ahead of the US (Nagy, 2023). This is particularly significant in

telecommunications, chemicals, IT, and more recently in automotive, battery, and renewables sectors. Table 2 lists the major Chinese investment in Hungary since 2020 which shows a landscape dominated by the EV and battery sectors.

Table 2 here

The friendly welcome the Chinese investment received in Hungary in the last decade is in stark contrast to the less welcoming environment they face in core countries such as the US and the UK. We believe that Hungary's semi-periphery status is critical in understanding Hungary's policy stance and choice. Given the lack of exploration of this issue, we conducted a qualitative study based on interviews as a suitable research method to explore the Hungarian perspective. In this study we carried out face to face semi-structured interviews with a range of senior government officials, advisors, academics, and firm managers, focusing on those who can provide profound insights on issues related to Chinese investment. To enhance analytical robustness, the interview data are supplemented with secondary sources, including reputable news coverage, company reports, and relevant policy documents. The secondary data helps to corroborate policy positions referenced by interviewees and to situate their accounts within the broader political-economic context. Our subsequent analysis shows that the Orbán government in Hungary, compared to their counterparts in core countries, seem to view opportunities and risks associated with Chinese investment differently, manifesting traits of policy objectives and interests of semi-periphery countries.

The Hungary-based co-author identified interviewees through professional networks in Hungary developed over years of engagement with China-related policy and investment issues. This approach provided access to senior government officials, advisors, academics, and business representatives who are directly involved in or have profound knowledge about Chinese investment in Hungary. Among decision-makers, priority was given to institutions that play a key role in shaping such decisions, such as the Office of the Prime Minister and the Ministry of Foreign Affairs and Trade, as well as to institutions that play a particularly active role in the Hungarian context, most notably the central bank. In addition, we included representatives from think tanks that provide background analyses and policy-relevant studies supporting these decision-making processes. In the case of Chinese companies, the focus was placed on large EV and battery investors operating in the country, reflecting the wider landscape of Chinese investment in Hungary. Within academia, we sought out experts working on structural issues of the Hungarian economy who have published extensively on China's economic

presence in Hungary in recent years. Attention was given to those whose views are not always aligned with the government to achieve a balanced understanding.

In total, we conducted 12 interviews in November 2024 (see Table 3 for details). Each interview lasted, on average, just over 70 minutes. When we felt it necessary to probe further, these were followed up by further email exchanges between the authors and the interviewees. Our aim is not for exhaustive coverage and generalisation but to illustrate novel perspectives and generate fresh theoretical insights (Eisenhardt & Graebner, 2007; Gioia et al., 2013).

Table 3 here

The interviews were audio-recorded, then transcribed and carefully reviewed immediately after they had been conducted. This was done to ensure that each interview was still fresh in the researcher's mind and could be accurately recalled. In analysing data, we applied well-established protocols such as content analysis (Ghauri, 2004; Miles & Huberman, 1994).

4. Findings: a semi-periphery perspective of opportunities and risks associated with Chinese investment

The discussion in previous sections suggests we should consider countries' different positions in the network of international relations to achieve a better understanding of FDI receptivity in the host countries. After all, core, semi-periphery, periphery countries have different policy interests and objectives and could therefore assess FDI-associated opportunities and risks differently. In this section, we illustrate how the Orbán government interpreted and articulated the country's semi-periphery status and accordingly assessed opportunities and risks associated with Chinese investment. This is undertaken with a brief reference to the perspective of policymakers in the core-countries on the same issue.

4.1 Chinese investment – opportunities from a semi-periphery perspective

With the relationship between China and the west fast deteriorating in the last decade, it is perhaps not surprising that the attitude towards Chinese investment has become lukewarm at best from the view of governments in the core countries such as the US, the UK, and Germany. Although they still welcome opportunities in jobs, green transition, and global problem-solving that Chinese investment might bring in, they have also made it clear that this is conditioned on ‘a level playing field’ and challenged China’s ‘unfair trade policies’ (von der Leyen, 2023; Yellen, 2024).

In contrast, the then Prime Minister Viktor Orbán and his team have consistently portrayed China and Chinese investments as significant opportunities instead of threats and risks for Hungary. In a recent lecture Mr. Orbán gave at Bálványos Summer Free University and Student Camp in July 2024, he depicted a global system change featuring the rise of Asian countries, including China, as the dominant centre of the world. He then argued that Hungary should embrace this change with a mindset that sees the change as an opportunity instead of a threat and that Hungary needs to “chart [its] own development path, make changes and take the initiative” (Orbán, 2024). In a 2025 address (About Hungary, 2025), Mr. Orbán reflected on Hungary’s earlier success in joining the global car manufacturing industry during the 1990s, but emphasized that the future lies in technological transformation. “In the 1990s, Hungary successfully integrated into the global car manufacturing industry. But today, we must talk about the future, because we are in the midst of a technological transition,” he stated. Stressing the need to adapt, he underlined that “Hungarian industry must become part of electromobility.” Highlighting China’s global leadership in this field, he further argued that partnership with China is indispensable: “We cannot succeed on our own. Only Hungarian–Chinese cooperation can make us competitive”.

In previous sections we outlined a surging Chinese battery investment in Hungary in the last few years. Interestingly, it seems that the initial focus of the Orbán government, in attracting Chinese battery investment, was actually to secure the future of the assembly plants established by the German OEMs in earlier years. A former government official explained:

“We have big traditional car manufacturing industry, but the continuation of these investments was uncertain because, you know, Mercedes, BMW, others did not decide whether these [future] electric vehicles, whether it has to be assembled or produced in Hungary. And if they could find a battery supplier for their Hungarian manufacturing activities, then Hungary has got some competitive advantage ... [Therefore] it was a

good opportunity to have Chinese battery suppliers here in very close location.”
(Interviewee 11)

This is echoed by another senior government official who argued that there is an opportunity arising from Chinese investment that could help the country in reducing the (over)dependence on German car makers. Noting that the automotive sector has a roughly 10% share of Hungary’s economy and that the German car makers are losing competitive advantages in the development of EVs, he explained:

“So if we are to save our automotive jobs in the country, we can do two things. We can hope that the Germans gonna figure it out. I don't see that happening ... Okay, we're going to have Mercedes etc. as long as they are viable, as long as they want to stay here, but at the same time, we're inviting others with better technology, with better future prospects, to invest and then if BMW goes bankrupt because of other reasons, then we wouldn't be losing 10% of our GDP right away because we have diversified away to Korean battery factories and Chinese EV factories. So this is the real risk.” (Interviewee 8)

Here there is a display of sensitivity to the country’s structural dependency and hence the need to constantly scan and review the country’s dependence on core countries and make necessary changes and adjustments accordingly.

In addition to this, we could also discern from the interviews that the Orbán government increasingly associated Chinese investment with another opportunity which might enable Hungary to upgrade its industry and become a key player in the fast-evolving EV GVCs. A senior policy advisor articulated this in the interview:

“I think [the Chinese EV investment] creates the opportunity that Hungary remains the key player, a key location in the new era of the automotive industry. So we can now proclaim that we will be a key location in the new electric vehicle value chain in Europe. And this was the first step. Now we will have to make the further steps to attract R&D and activities like that in the future. But the basis for that is that we have a very well-operating manufacturing facility. We cannot expect BYD ... to bring R&D to Hungary [now]. Why would they do that? But if they have a manufacturing experience ... and they are satisfied with the expertise of the Hungarians, they see that they can cooperate very

well with Hungary universities, then there is, I think, a real chance that they will bring something extra to our country.” (Interviewee 3)

This perspective highlights the dual aspirations of semi-peripheral economies: safeguarding current production capacities and moving up the value chain by leveraging foreign technology and partnerships. In particular, with the fast development of the EV industry amidst a volatile geopolitical environment, the Orbán government sensed an opportunity for the country to move into an important position within the rapid-reconfiguring global production networks. This helped to explain the reported huge state subsidy by the Orbán government in attracting big EV projects despite some leading economists argue that the same money should be spent on the basic building blocks of development such as education and healthcare (Interviewee 12).

4.2 Chinese investment – risks from a semi-periphery perspective

In recent years, the UK and the core countries of EU, have tended to view China as a significant threat. For example, in March 2019, the European Commission released a "EU-China – A Strategic Outlook" document, which characterized China as simultaneously a "partner," "economic competitor," and "systemic rival". This underscored concerns about economic dependencies and systemic challenges posed by China and promoted a wide range of de-risking debates and initiatives. In 2020, the British government banned Huawei from its 5G networks due to national security concerns, followed by growing restrictions in Germany. In 2022, the EU's External Action Service suggested that China should be seen as an all-out competitor (Foy, 2022). Thus, a more circumspect view of China within many European policy circles has developed in recent years including considerations around Chinese FDI in Europe (De Beule & Brennan, 2024). For example, in 2021, the British government published its Integrated Review of Security, Defence, Development, and Foreign Policy, which labelled China as a "systemic competitor" and “the biggest state-based threat to the UK's economic security”. Looking across the core countries, there appears to be a coordinated move to address the perceived severe threats and risks that Chinese investment presents - cyber threats, industry espionage, ideological penetration, just to name a few. Legislative tools like the Foreign Investment Risk Review Modernization Act (FIRRMA) and Committee on Foreign Investment in the United States (CFIUS) in the US and FDI screening in EU and its core members are explicitly (re)constructed to address these Chinese-specific risks (Aggarwal et al., 2021).

In Hungary, the Orbán government seemed to hold a view that is completely different from the core countries. Below we illustrate how Orbán and his team assessed the potential risks associated with China and Chinese investment. In this paper, the term 'security risk' is employed to denote primarily national and strategic security concerns, including control over technology, critical infrastructure, data, and military-relevant assets. This is analytically distinct from economic risk (e.g. crowding-out, dependency, fiscal exposure) and political risk (e.g. interference in domestic politics or diplomatic backlash), although in practice these dimensions may overlap.

4.2.1 Security risk

In core countries such as the UK and Germany, security risk has become a key concern regarding China and Chinese investment. The UK government, for example, explicitly pledged to “increase ... national security protections in those areas where Chinese Communist Party actions pose a threat to our people, prosperity and security” (HM Government, 2023: page 12-13). This security concern over the safety of critical infrastructure, cyber, and data is manifested not only in the banning of Huawei 5G equipment in these countries but also in the increasingly popular FDI screening regimes. In the UK for example, there has been an emphasis on Chinese investment being subjected to in-depth scrutiny, particularly since the enactment of the National Security and Investment Act (NSIA) was enacted in 2022. Under the NSIA, firms are encouraged to notify the authority of potential investment/acquisitions. While a relatively small number of notifications being made had any link to China, it is acquisitions and investments associated with China that are most susceptible to being called in for an in-depth national security assessment. For example, between 1 April 2023 and 31 March 2024, although less than 5% of accepted notifications had a Chinese acquirer, these represented 41% of the call-in notices issued (Cabinet Office, 2024).

The Orbán government, however, seemed to have chosen to stay away from this increasingly popular ‘securitisation of FDI screening’ (Lai, 2021). For example, a former senior diplomat told us that Huawei’s equipment is still the most popular in Hungary’s telecommunication sector and this is because the Orbán government saw Huawei “no bigger danger than the Western technologies”. Commenting on the potential security risks when using Huawei’s equipment, he joked:

“For me, it's not important whether it is the Chinese Communist Party listening to my phone call or the CIA. For me, there is no difference.” (Interviewee 1)

Another senior government official explained why the Hungarian perspective is different:

“We're not afraid of the Chinese because there's nothing they can steal from here, literally. I mean, we don't have high end technology, we don't have natural resources, we don't have anything that they are interested in. So anything that China brings to the table is an added value to the Hungarian economy ... So, you know, for us, this is simple. We need companies who provide the highest value-added processes and keep our people employed. Where they come from is not important, and because of that, we don't have those kinds of protectionist attitudes that you will see in Germany or France, who actually have to protect BASF and BMW and Siemens ... but it's not that [in Hungary]. You know, you have a big Hungarian company who's a world leader in the sector, and we have to protect them at all costs, because otherwise our national economy will collapse because we don't have these companies.” (Interviewee 8)

From the quotation above, we can see that, unlike policymakers in the core countries, the Orbán government did not think that they had world-leading strategic industries or technologies to protect. Therefore, they were at ease with potential security risks associated with Chinese FDI. Instead, they were focusing on the impact on the economy which we are now turning to.

4.2.2 Economic risk

The last few years have witnessed an increasing anxiety in the European core countries about their over-dependence on China and its supply chains and the competitiveness of their industries. For instance, Germany's first China Strategy on China, published in July 2023, emphasised the need to reduce economic dependencies, noting a large portion of its export goes to China, especially in auto and machinery sectors (The Federal Government, 2023). In the UK, the government saw an overdependence on China (e.g., critical minerals, supply chains) as a strategic vulnerability and launched the UK's first Critical Minerals Strategy in 2022. In 2024, the EU imposed fresh tariffs on Chinese EVs, reflecting its deep-seated concerns about Europe's lagging competitiveness in the wake of the rapid rise of Chinese EV makers.

In Hungary, however, it seems that the Orbán government were not worrying much about the dependence on China. Instead, they were much more concerned with the

economy's reliance on the German automotive industry and investment which seems to be embarking on a declining trajectory. One senior government official, when commenting on the Eastern Opening Policy and the engagement with China, argued that

“What we're trying to do right now is to get higher up in the global value chains and change the structure of our dependence of the German automotive industry, because they are becoming less and less competitive”. (Interviewee 8)

From the quotation we can sense that, from the perspective of the Orbán government, the major concern was the country's overdependence on the German economy and particularly its automotive industry. This has become an acute issue as German car makers were reported to be struggling with risk of plant closure or downsizing (The Guardian, 2026); they are also keen to move up the global value chains - both manifestations of a semi-periphery mindset. From this perspective, engaging with Chinese investment itself is actually a risk-mitigating initiative – the Chinese investment in EVs and batteries could help to reduce the economy's dependency on the seemingly declining German automotive industry.

Most of the government officials and advisors we interviewed agreed that, given the shift of the gravity of the global economy towards the East, there was an urgent need for Hungary to diversify the sources of foreign investment and build stronger economic links with China. One former senior diplomat explained that Hungary wants to maintain its 'economic neutrality' and 'be the switchboard between the Western world and the eastern and southern world' (Interviewee 2). Therefore, the risk is not a stronger economic relationship with China but quite the opposite. A senior policy advisor explained the necessity for a semi-periphery country to connect with China and attract Chinese investment:

“Hungary is traditionally very deeply integrated into Western European value chains ... This has some advantages because we are much more developed country compared to Bangladesh or to African nations and to most economies in the world. So this could serve the Hungary's development interests to a certain level ... and then the current government realized that if we keep this situation, then we can develop to a certain level, but we will never catch up with the most advanced economies in Western Europe.” (Interviewee 3)

This articulated an awareness of the limitation of the country's dependence of advanced western economies for Hungary's economic development. China engagement was taken as an opportunity to break away from the country's structural dependence. Although there were reported local community's concerns about water, pollution, housing, and schools caused by the surging Chinese FDI projects (Financial Times, 2022), the Orbán government maintained that it was worth attracting Chinese investment and saw that as a means of reducing reliance on the weakening German automotive sector and repositioning the country within global value chains. Instead of viewing Chinese investment as a threat, they tended to view it as a risk-mitigating tool. Some leading Hungarian economists have expressed concerns about the seemingly low-value, assembly activities associated with Chinese investment (e.g., interviewee 10). Nevertheless, policy elites, as seen in the quotation of Interviewee 3 in section 4.1, tended to believe that high-value FDI project would eventually arrive once the country has built a solid manufacturing base, an argument seemed to have found vindication in the recent announced R&D Centres by Huawei and BYD in Budapest.

4.2.3 Political risk

In the last decade, core countries such as the US and the UK have tended to experience a popular rhetoric that describes China as interfering and therefore its foreign investment poses a significant political risk (Zhang et al., 2023). For instance, the U.S. House Oversight Committee Report in 2024 recommended federal agencies to utilise existing resources to defend against the alleged Chinese Communist Party's (CCP) political warfare and influence operations aimed at undermining the United States (the House Committee on Oversight and Accountability, 2024). Chinese firms, particularly state-owned enterprises, are frequently regarded as agents of the Chinese government and likely pursuing political agendas which often raise legitimacy concerns in western countries (Li et al., 2017).

In Hungary, China and its investment seemed to enjoy a high degree of receptivity. The Orbán government was visibly aligned with China in rhetoric – for example, it was the first EU country to join China's Belt and Road Initiative; it often blocked EU consensus on tougher China stances (The Economist, 2023).

A key foreign policy strategist within the government argued that the Orbán government's Eastern Opening Policy is “not about politics” or “embrace[ing] the Chinese political model or the political regime of Uzbekistan or Turkey or whatever”. He

told us that, in contrast to what is reported in the western media, the Chinese are not interfering in the Hungarian domestic politics at all:

“And you know, China is far away. They don't want to send gunboats here. They don't want to tell us what kind of elections we should have and whether we should like LGBT people or not. They're not really interested in spreading communism with Chinese characteristics into Europe and Hungary. So in that sense, they're easier to work with, because you can have a business like business relationship with them.” (Interviewee 8)

It has to be mentioned though, the Orbán government did not shun using Chinese investment to bargain within the EU. The same policy strategist articulated:

“Our openness to diversify away from our trade and investment dependence on the EU, combined with the political differences we had with the EU on certain social issues gave us an opportunity to be more open minded and be a bit more separated from the European industry. And I wouldn't even rule out that, you know, our Prime Minister is pretty happy to make the liberalities go crazy, just for the fun of it.” (Interviewee 8)

This confirms that the Orbán government's foreign policy of drawing closer to China and its strategic use of its veto power within the EU cannot be separated from its conflict with Brussels over the rule of law mechanisms, as well as the resulting withholding of cohesion funds. Within the framework of this geopolitical bargaining, the Orbán government used Chinese capital not only as an alternative economic channel but also as a key source of political influence and financial protection. By securing massive capital inflows from outside the EU, the regime effectively reduced the compliance pressure exerted by the EU, leveraging its ties with Beijing to preserve its autonomy and uphold its institutional model in the face of external restrictions from the West (Song & Li, 2024). This strategic hedge allows the political elite to pursue resource diversification, partially immunizing the regime against EU conditionality while transforming economic relations into diplomatic leverage within European decision-making bodies.

Nevertheless, there seemed to be a dominant view among the policy elites that China was not interested in interfering in the domestic politics in Hungary. According to a former policy advisor:

“The Western media is ... always talking about this kind of, like the Chinese companies are coming and they are building up their political influence. I don't think so. I don't think the Chinese ... have this kind of idea or effort. I mean, looking at the past 5000 years, Chinese don't really, no. They don't really care what's happening outside. The Chinese people are doing it well. They will not do revolution to take off the Prime Minister and build up a new government. They don't have this kind of practice.”
(Interviewee 1)

Noting that many western core country leaders visited China recently and talked about cooperation with Chinese leaders, he complained:

“But if the Prime Minister of Hungary goes to China, the whole western media is like, Oh, my God, he's selling out Hungary and Europe again, and he's the pet of Xi Jinping ... very strong double standard ... It's the Western geopolitical thinking. This is the Western hegemony thinking. It's always like this in the past 500 years. You know ... they can do anything they can with China. We cannot. We have to do what they are saying ... It was always like this, for 500 years now, I mean the world order, the establish world order ... Yeah, we have a phrase in which was borrowed from Greece. What Jupiter can do is not allowed to a small ox.”

This is a clear manifestation of the resentment at the core countries' seemingly double standard and hegemonic perspective. It is also worth noting that engaging with China seems to be the consensus between the major Hungarian political parties. Although it is the Orbán-led, Fidesz, which had a traditional anti-communist stance, that formally launched the Eastern Opening Policy and a closer engagement with China, it actually inherited a relatively China-friendly orientation from the previous Hungarian Socialist Party (MSZP)-led governments (Interviewee 2; Interviewee 11). During the process of writing this paper, Orbán lost the 2026 election. The newly elected government has indicated a closer alignment with the EU. It remains to be seen, however, whether this would lead to a shift in its stance towards China and Chinese investment.

5 Discussion and conclusion

The findings presented in the previous section indicate that the Orbán government in Hungary assessed opportunities and risks associated with Chinese investment differently from its counterpart in core countries. Whilst core countries such as the US

and the UK increasingly sound cautionary about the opportunities associated with Chinese FDI, the Orbán government was keen to use Chinese investment to help the country to upgrade its industries and reduce its dependence on the German economy and automotive industry. In contrast to the tendency in the core countries to perceive Chinese investment as presenting high security, economic and political risks, the Orbán government were not keen for security framing as they did not see much strategic assets to protect; neither did they have much political concern about Chinese FDI. Instead, their focus seemed to be on reaping the economic benefits of FDI.

The discussion in previous sections suggests that Hungary can be viewed as a semi-periphery country in the network of international relations. As a semi-periphery country, it has a structural dependency on core countries, and this is reflected on the country's historical dependency on western capital and technologies which is particularly salient in the critical automotive industry. With an awareness of the country's semi-periphery status, Hungarian policymakers are keen not to slide down to the periphery zone (Avlijaš & Gartzou-Katsouyanni, 2024) and at the same time, if there are any plausible opportunities, to move upward into the core via FDI-stimulated industry upgrading and technology development (Bohle & Greskovits, 2012).

We contend that this semi-periphery status is critical for the understanding of the Orbán government's divergent attitude to Chinese investment compared to their counterparts in core countries. Our findings show that senior officials in the Orbán government were acutely aware of the country's semi-periphery status and keen to address its structural dependence. Instead of viewing Chinese investment as a threat as seen in the core countries in recent years (Rogelja & Tsimonis, 2020), they chose not to 'securitise' Chinese FDI. To them, Chinese investment not only provides an alternative source of capital but also represents an opportunity to reduce the country's traditional structural dependency and to move up in global value chains particularly in newly emerging industries such as EVs. In Table 4, we contrast the assessment of opportunities and risks associated with Chinese investment between the Orbán government and their counterparts in core countries.

Table 4 here

Our analysis suggests that, in addition to the institutional approach that has dominated the FDI receptivity research in IB (e.g., Banerjee & Venaik, 2018; Bhaumik et al, 2024; Dinc & Erel, 2013), it is instructive to investigate it from a complementary perspective

that looks at the wider structure and network of international relations. The difference between core and semi-periphery countries would lend support to a recent study by Chan & Meunier (2022) who find that countries with higher technological levels were more supportive of FDI screening due to concerns over unreciprocated technological transfer. We believe that part of the explanation lies with the fact that core countries, which tend to have higher technology levels, have a keen interest in protecting their high-technology sectors. We call for further research to examine other countries' positions in the international relations structure and the impact on receptivity to FDI.

We contend that the semi-periphery perspective makes a distinct contribution to knowledge from cognate frameworks such as the DME model. For us, the DME is a regional-institutional Varieties of Capitalism (VoC) model (Hall & Soskice, 2001) that describes how Central and Eastern European capitalism is organised around foreign capital, multinational corporations, and weak domestic innovation capacities. In contrast, semi-periphery captures how a country is located within the hierarchy of the world economy, and what kind of strategic behaviour follows from this. While the DME illustrates how the institutional configuration of dependency looks, the semi-periphery perspective helps to explain how state actors try to actively manage and possibly recalibrate this dependency. Therefore, DME alone cannot account for the Orbán government's approach towards Chinese investment. In this sense, openness to Chinese FDI is not simply a continuation of classical dependent integration, but a conscious diversification strategy that stems from a semi-peripheral position. We therefore argue that the semi-periphery perspective provides a complementary framework that captures a country's structural position in the global, multipolar dependency relations. Similarly, while Rogers' (2024) framework of authoritarian populism captures how the governments may blend market-oriented and paternalist economic goals to manage external dependencies and ensure regime survival, the semi-periphery perspective complements this by highlighting the broader world-economic pressures and technological shifts that constrain these choices. Therefore, we contend that the semi-periphery perspective can possibly travel beyond Hungary: it may help to understand that why openness to Chinese investment could be a strategic option in countries in a similar position in the international system.

In recent years, the call for IB scholars to pay more attention to the influence of international relations (IR) has become stronger (Han et al., 2024; Witt, 2019). However, most of the extant studies tend to adopt an IR-as-context approach where international relations remain exogenous factors. This paper, by embedding countries' structural positions in the analysis of receptivity of foreign investment, illustrates how IB scholars can 'endogenize' international relations factors in IB research (Bozonelos & Tsagdis,

2023; Casson, 2021). In particular, the findings indicate that the host country's assessment of FDI-associated opportunities and risks is deeply rooted in its position in the international system. Our analysis responds to and strengthens the call for incorporating the core-periphery (Boussebaa & Morgan, 2014) and structural dependence (Da Gama & Bui, 2024) features in international relations into international business studies.

These findings complement established institutional perspectives in International Business (IB) by demonstrating that host country receptivity is profoundly embedded in, and shaped by, a nation's structural position within the global geopolitical hierarchy. While traditional IB scholarship has heavily focused on domestic regulatory frameworks and institutional distance, our study contextualizes national agency within wider structural constraints and opportunities. By unpacking the mechanism through which Hungary maintains sustained economic openness toward Chinese capital within a restrictive European regulatory environment, this paper offers a nuanced contribution to current IB debates. Specifically, we provide a much-needed theorization of how international relations factors and, in particular, a host country's position in the international system actively shapes foreign investment strategies.

To understand the multi-level nature of the Orbán government's FDI strategy, it must be viewed within the context of current dynamics within the EU and the European Union's broader economic security doctrine. In recent years, the European Union has increasingly institutionalized a "de-risking" agenda aimed at reducing critical dependencies on China, a move supported by the strengthening of EU-level frameworks for screening foreign direct investment to protect strategic sectors. This changing regulatory environment is causing serious institutional friction for semi-peripheral member states such as Hungary, which see the inflow of capital and technology as crucial for upgrading their economies or at least maintaining their economic positions. The Orbán government navigated these multilevel governance structures by exploiting regulatory loopholes and retaining national authority over investment approvals. This approach has made Hungary an exceptional entry point for Chinese capital within the single market. At the same time, this manoeuvre at the national level carries profound geopolitical externalities, exacerbates tensions within the EU, and isolates Hungary from its Western partners.

From a semi-periphery perspective, the Orbán government's receptivity to Chinese investment becomes much less puzzling. This helps to expose mainstream IB theories' limited engagement with questions of power, hierarchy, and strategic positioning in the

global political economy. In the case of Hungary, the Orbán government's receptivity towards Chinese investment cannot be fully understood as a response to firm-level characteristics or institutional fit. Instead, it reflects a deliberate strategy to leverage foreign investment in the pursuit of industrial upgrading and reduced dependency. Chinese investment, from this perspective, is not evaluated primarily through lenses of legitimacy, distance, or institutional fit, but through its potential to alter Hungary's dependent positioning in global value chains. What appears as "warm receptivity" in IB terms can thus be understood as a strategic response to a host country's structural dependency.

It is worth pointing out that, despite that the Orbán government's intention to use Chinese EV and battery investments as a mechanism for reducing Hungary's dependence on German-dominated production networks, recent scholarship suggests that such diversification may simultaneously generate new forms of dependence. For example, control over key battery technologies and value-chain coordination remains with the Chinese firms (Pavlínek, 2023; Wu, 2024). Despite BYD's recent announcement of establishing a new R&D centre in Budapest, it will take time to see whether this would materialise and if others would follow suite to attest functional upgrading in Hungary. In addition, closer economic ties with China have created new geopolitical constraints that hampered Hungary's relations with the EU and other member states (Telias & Turcsányi, 2026).

Our investigation suggests that the Orbán government was not fully ignorant of the risk of new dependency. Neither did they completely neglect the challenges in further upgrading as already pointed out in various academic studies (Gáspár & Sass, 2023; Gerócs, 2021; Pavlínek, 2023). Nevertheless, Orbán and his close allies believed that they were taking a calculated risk and were determined to push ahead the agenda with the launch of the National Battery Industry Strategy 2030, prioritizing electromobility and provided substantial subsidies and infrastructural support to attract battery-related investments. In addition, our discussion in section 4.2.3 seems to corroborate Telias & Turcsányi's (2026) analysis that Orbán proactively pursued a closer relationship with China also because of his world view and the need for domestic politics: his high-profile engagements with China significantly elevated his political profile at home and abroad (although in controversial ways), and, ultimately, significant Chinese investment arrived in Hungary. These indicate a more nuanced semi-periphery argument that deserves further research: while structural dependency shapes the opportunity structure (e.g., diversification away from German dependence), the way that this is articulated and contested is mediated by domestic and international politics as well as the trade-off between short term FDI gains and longer-term risks of

dependency. Importantly, our analysis aligns with the findings of Collison et al (2017) who found that the strength of intergovernmental relations, and the degree of alignment between China's development priorities and the host are factors that help explain Chinese FDI.

Nevertheless, our findings challenge institutionally focused IB accounts of FDI by demonstrating that Hungary's semi-peripheral positioning mediates its response to Chinese investment. However, it still needs to be established whether the single case of Hungary and Chinese FDI is *sui generis* or can be extended to other contexts and sources of FDI. Future work should therefore seek to extend our framing to other geographies to help establish to what extent the semi-periphery perspective travels beyond the Hungarian case. In this endeavour, caution needs to be taken as there are other explanatory factors beyond semi-periphery and host country's position in the international system.

The analysis in this paper suggests a few conditions under which semi-periphery positioning is likely to lead to receptivity to politically sensitive FDI: first, when dependence on incumbent core countries is perceived as economically or politically constraining. This is manifested in the perceived decline of German automotive industry by the Orbán government; second, when domestic elites retain sufficient autonomy – despite the structural constraints of being a EU and NATO member, the Orbán government did exhibit a relatively high-degree of liberty in policymaking; and third, when governments place greater emphasis on growth and employment over security – evident in the Orbán government's pledge to create 1 million jobs in the earlier years and 'economic neutrality' in recent years. Under these conditions, investment from non-traditional core countries may be interpreted less as security threats and more as instruments for strategic diversification and bargaining leverage.

Although our analysis is based on Chinese investment, the broader contribution concerns how semi-peripheral countries navigate competing centres of capital accumulation within shifting geopolitics. While the single-case design limits generalisability, the framework may travel to other South–North and South–South contexts where states seek to rebalance asymmetric dependence through engagement with alternative external partners.

In addition to the single-country case study design, this study is subject to further limitations. Despite the comprehensive nature of the selection of interviewees, the empirical material primarily reflects Chinese investments in the EV and battery sectors, which have been particularly prominent in Hungary in recent years. Firms operating in other sectors, such as electronics (e.g. Huawei) or chemicals (e.g. Wanhua Group), may hold different perspectives, partly due to their longer-standing presence and different patterns of integration into the Hungarian economy. Moreover, given the senior political and policy roles of several interviewees, the empirical data may be subject to social desirability bias. We mitigated this risk by systematically contextualizing their accounts within the established academic literature. We have also intentionally recruited academic interviewees whose views are not always aligned with the government to achieve a balanced understanding. Furthermore, the analysis in the paper is dependent on an interpretation of the core countries' approach to Chinese FDI that is derived from extant literature and policy debates. A more profound empirical investigation into the processes of core-country policymaking would be a valuable avenue for future research.

Our study also has important policy implications. In recent years there has been a tendency for a blanket de-risking approach to Chinese investment, particularly in the west. Our analysis suggest that it does not make sense to have a one-size-fits-all de-risk approach to China and Chinese FDI. Instead, every country should consider its own circumstances including international relations and its position in the network of international systems. Policy makers need to have a keen appreciation as to where their economy is positioned in terms of its peripheral status. For those that have a semi-peripheral positioning, receptivity to FDI needs to be guided by its potential for preventing any shifting to peripheral status and by the prospects offered by FDI to retain or improve its current positioning. A nuanced understanding of the differences between the core and the semi-periphery can enrich academic debates and policy choices regarding the future of global FDI flows.

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Table 1 Core–Semi-Periphery–Periphery: distinct characteristics, roles and interests

	Core	Semi-periphery	Periphery	References
Structural position	Dominant; control over high-value activities, finance, and technology	intermediary position	Subordinate position	Cairó-i-Céspedes & Palacios Cívico (2022); Wallerstein (1974, 1980)
Typical characteristics	industrialized, technologically advanced, and capital-abundant	Industrialization; reliant on external capital and innovation capacity	exporting primary commodities, low-value manufactures, or labor-intensive goods; deterioration of the terms of trade	Gereffi (1999, 2018); Morales Ruvalcaba (2020)
Role in global system	Rule maker; surplus appropriator	Buffer zone stabilising core–periphery relations	Rule taker; Surplus provider to the core	Morales Ruvalcaba (2020); Wallerstein (1974, 1980)
Primary interests	Preserve monopoly rents and systemic dominance	Encourage upgrading; avoid descending to periphery	secure market access and foreign investment, and development aid	Arrighi (1994); Avlijaš & Gartzou-Katsouyanni (2024); Bohle & Greskovits (2012); Cardoso & Faletto (1979); Frank (1967); Wallerstein (2004)

Table 2 Major Chinese investment in Hungary since 2020

Investing company	Sector / activity	Year announced	Scale of investment (announced)
SEMCORP	battery separator	2020	€340m
CATL	EV battery	2022	€7.4bn
Xinzhi	Automotive components	2023	€121m
EVE Energy	EV battery	2023	\$1.18bn
Sunwoda	EV battery	2023	€1.5bn
Huayou	Battery materials	2023	€1.3bn
BYD	Passenger EV	2023	€4bn
BYD	e-bus / e-truck production + R&D lab	2025	US\$94m

Source: Authors' compilation from various news and company reports

Table 3 list of interviewees

Interviewee	position/role	Date
1	Former diplomat and advisor to the Central Bank of Hungary	18/11/2024
2	Former senior diplomat	18/11/2024
3	Analyst, Hungarian Institute of International Affairs	18/11/2024
4	General manager of Chinese investing firm A	19/11/2024
5	Public Affairs Manager of Chinese investing firm B	19/11/2024
6	Government and Public Relations manager of Chinese investing firm C	20/11/2024
7	Researcher, Corvinus University of Budapest	21/11/2024
8	Official, Office of the Prime Minister's Political Director	21/11/2024
9	Official, Office of the Prime Minister's Political Director	21/11/2024
10	Researcher, Corvinus University of Budapest	21/11/2024
11	Former senior official, telecom regulatory authority	22/11/2024
12	Researcher, HUN-REN CERS Institute of World Economics	22/11/2024

Source: Authors own work

Table 4 contrasting assessment of opportunities and risks associated with Chinese FDI

Opportunity/risk domain	US, UK, Germany governments	Hungary (Orban government)
Opportunity	Recognising opportunities in jobs, green transition, and global problem-solving, but conditioned on ‘a level playing field’ and ‘fair trade’.	Chinese investment helps to reduce dependence on core countries; industry upgrading.
Security risk	High — securitisation of investment (e.g. NSIA in the UK).	Low — weak security framing; little strategic assets to protect.
Economic risk	High — concerns over lagging competitiveness and strategic dependencies on China.	Low - economic gains from FDI often prioritized.
Political risk	High — Chinese firms viewed as agents of interfering Chinese government.	Low – little political concern.
Core-Periphery Position	Core: rule maker	Semi-Periphery: structural dependence
Overall posture towards Chinese FDI	De-risking: China direct competitor in technology, markets, and rule-setting	Pragmatic openness: China primarily as a source of capital, technology, and expertise

Source: Authors own work

Figure 1. Host country's Structural Position and Receptivity to Chinese FDI

