

Exploring the Barriers and Breakthrough Paths of China-Hungary Cooperation within the Framework of the European Union

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Abstract: Hungary is the only EU member state in Central and Eastern Europe with a complete new energy power battery industry chain cluster. In China's investment in Hungary, the proportion will reach 57% by 2025, making it the largest foreign investor in Hungary for three consecutive years. Its unique industrial and policy advantages promote cooperation between the two sides. The unified regulation of the European Union, internal differences in interests, geopolitical disturbances, and industrial adaptation gaps constrain China-Hungary economic, trade, technology, and cultural cooperation. The introduction of regulations related to foreign investment screening, carbon border regulation, foreign subsidies, and the change of direction by the new Hungarian government has increased the uncertainty of cooperation. Based on the good bilateral relations and complementary industries, this article analyzes the existing obstacles by combining the EU operating rules with the reality of China-Hungary cooperation. It proposes a path from the aspects of rule adaptation, strategic docking, industrial synergy, and risk prevention and control to promote the long-term development of bilateral cooperation and provide reference for China's cooperation with other Central and Eastern European EU countries.

Keywords: EU framework; China-Hungarian cooperation; Barriers to cooperation; Regional collaboration; Development path

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1. Introduction

Hungary is a core partner of China in Central and Eastern Europe, possessing distinctive characteristics of cooperation that set it apart from Western Europe and other Central and Eastern European countries. Hungary is the first EU country to sign the Belt and Road cooperation agreement and issue green panda bonds^[1]. It gathers companies such as Ningde Times and BYD to form a complete new energy vehicle industry chain, which has obvious advantages. The total bilateral trade volume between China and Hungary

in 2024 is 16 billion US dollars, a year-on-year increase of 11.6% ^[2]. China is Hungary's largest investor, with Chinese companies investing over 10 billion euros in Hungary. The EU's unified regulation and ongoing disagreements among member states continue to constrain bilateral cooperation, and the new Hungarian government tends to follow in the footsteps of the EU. In addition, regulations related to foreign investment and carbon emissions increase the difficulty of cooperation. Clarifying the various challenges faced by China-Hungary cooperation under the EU framework, exploring cooperation opportunities, and exploring solutions can not only promote stable and far-reaching bilateral cooperation, but also strengthen the connection between China and Central and Eastern European countries, and help promote regional economic coordinated development ^[3].

2. The underlying reasons for the formation of barriers to cooperation between China and Hungary within the framework of the European Union

2.1. There are differences in regional development positioning and cooperation demands

The EU focuses on a unified large market and industrial chain security, and has introduced the Industrial Acceleration Act and the Key Raw Materials Act to restrict foreign new energy industries from encroaching on the domestic market ^[4]. The Hungarian industry is at the middle level of the European Union, with the automotive industry accounting for a high proportion of the economy and exports. There is an urgent need for foreign investment to improve the new energy industry chain and achieve transformation. The differences between the two sides are concentrated in the field of new energy. The EU supports domestic automobile and battery companies and has relevant requirements. CATL provides 9000 local job opportunities at its Debrecen factory and supplements the insufficient Hungarian industrial chain with Chinese capital. There are differences in development goals between the two sides, and the EU has set many restrictions on China-Hungary cooperation due to considerations of regional security and external competition; Hungary, on the other hand, places greater emphasis on cooperation to bring economic benefits and development opportunities ^[5]. The conflict between the two goals has resulted in long-term cooperation between China and Hungary being constrained by the overall interests of the European Union and Hungary's own development demands, leading to the emergence of various cooperation barriers. The new Hungarian government prioritizes adapting to EU regulations to obtain financial support, reduces preferential measures for China, and significantly reduces cooperation space.

2.2. Insufficient compatibility between industrial structure and development model

The EU has a mature industrial chain of high-end fine chemicals and precision manufacturing. Hungary relies on the EU's division of labor to focus on industries such as automotive parts and electronic processing, while China has a full range of industrial systems and prominent advantages in the new energy industry ^[6]. The new energy track is a characteristic area of China-Hungary cooperation and also a focal point of industrial adaptation contradictions. Hungary only has partial production capacity for battery components, and has supplemented its battery cell and vehicle production capacity through companies such as CATL, BYD, and EVE Energy. The total investment in these projects exceeds 9 billion euros; China's large production capacity conflicts with domestic car manufacturers in Germany and France, and is constrained by EU industrial protection. Although there is room for complementarity in the industries of China and Hungary, there are significant differences between the two countries in terms of industrial standards, production processes,

quality control, and other aspects. In addition, some advantageous industries in China compete with local industries in the European Union. Under the EU's emphasis on industrial protection, the EU implements market access barriers for these competitive industries. Due to the differences in industrial standards, it also requires enterprises from both sides to match production capacity and exchange products. The insufficient adaptability of industries further amplifies the negative impact of institutional barriers, exacerbates cooperation differences, and increases cooperation costs.

2.3. There are inherent differences between institutional systems and governance concepts

There are fundamental differences in the development background and governance mechanism between China and Hungary. The EU's multi-level approval system has a lengthy process, while China's coordinated promotion model has higher efficiency in implementation. The difference in pace between the two restricts project docking ^[7]. During Orban's tenure, Hungary accelerated the approval process for large Chinese-funded projects with greater autonomy. Projects such as CATL and BYD enjoyed special land subsidies and tax incentives, which were not available in EU countries such as Germany, France, and the Czech Republic at the time. After the new government takes office in 2026, it will fully align with the unified governance standards of the European Union, cancel the special green channel, increase the approval time for foreign investment projects by more than 30%, and require additional multi-level security reviews for new energy, data, and other projects. In addition, the methods adopted by both parties in market supervision, data governance, enterprise management, and social management are also different, and the relevant regulations and measures formulated are also not the same. In the fields of cross-border data flow, corporate compliance, and labor exchanges, differences in systems and concepts can easily lead to cognitive biases, making it difficult for both parties to quickly reach consensus and hindering the progress of cooperation ^[8].

3. The main barriers to China-Hungary cooperation within the framework of the European Union

3.1. The barriers to rule adaptation brought about by a unified regulatory system

As a member state of the European Union, Hungary cannot independently formulate bilateral economic and trade rules. Chinese enterprises operating in Hungary must simultaneously comply with the EU's unified market access, investment, environmental protection, labor, and data regulations ^[9]. Multi-level supervision has long constrained bilateral cooperation. In recent years, the intensive updating of EU regulations has directly impacted China-Hungary new energy cooperation projects. In the field of foreign investment regulation, after the implementation of the EU's foreign investment screening regulations, Hungary will also introduce corresponding laws in 2025 to conduct specialized reviews on investments exceeding 50 million euros, such as automobiles and energy storage facilities. Projects under construction by CATL and BYD will be continuously reviewed. The foreign subsidy regulations give the EU the right to review the subsidies provided by the Chinese government to Chinese enterprises, and the new Hungarian government has re-evaluated the land and cash subsidies for new energy enterprises, resulting in a significant increase in compliance costs for enterprises. The implementation of carbon border regulation tax requires full-chain carbon accounting for the export of power batteries and chemical products. The Wanhua Baoside Industrial Park and battery factories will increase carbon emission monitoring instruments. The digitalization bill will

strengthen the sharing and control of research and development data between multinational companies, and prohibit cooperation in battery research and development between both parties. The EU continues to tighten its access review for high-tech industries, with constantly iterating environmental and carbon certification standards, and increasing adaptation costs for enterprises. Before Hungary, the regulation was relatively loose, and after the new government came into power, it completely benchmarked against EU standards. The buffer space of the original policies disappeared, and the differences in understanding and implementation methods of the rules further affected the cooperation between the two sides.

3.2. The policy stance barriers formed by the differentiation of interests within the European Union

The economic, industrial, and cooperation demands of EU countries towards China are clearly differentiated. Germany and France, based on their own comprehensive industry foundations, have continuously strengthened their supervision of Chinese investment in new energy enterprises in Hungary, suppressing the progress of lithium batteries and affecting Hungary's foreign exchanges ^[10]. Hungary's foreign cooperation needs to be coordinated by multiple EU countries. The billion-dollar Ningde Times project has been repeatedly questioned, and the approval time for environmental impact assessment and subsidies has been extended. During the Orban era, Hungary often used the veto power of its member states to resist negative proposals against China. The new government followed in the footsteps of the European Union and no longer stepped forward to promote cooperation between China and Hungary. As a result, Chinese enterprises lost key buffering power at the EU level. The competition among member states has forced Hungary's foreign cooperation to become conservative, and the implementation of a large number of cooperation plans has been hindered. Compared with Central and Eastern European countries, the large-scale new energy investment in Hungary is easily the focus of the EU's game and is more influenced by different positions.

3.3. The barriers to cooperation environment arising from external geopolitical games

Under the changing global geopolitical landscape, external forces rely on EU member state relations to intervene in China-Europe and China-Hungary cooperation, disrupting economic, trade, and technological cooperation through public opinion, diplomacy, and technological blockades. There have been long-term technological blockades and barriers in emerging technology fields, and some regions of the European Union have set strict thresholds for foreign partners. In some core technology joint research and development projects such as power batteries and solid-state batteries, they are easily affected by technology export controls. The Hungary-Serbia Railway is a landmark project of cooperation, which has long been questioned externally. The construction of its supporting logistics park has been repeatedly delayed, and the cooperation project is prone to adjustment due to geopolitical fluctuations. Geopolitical interference factors have strong uncertainty, which not only destroys the atmosphere of cooperation, exacerbates cooperation risks, but also puts long-term external pressure on China-Hungary cooperation. Hungary is deeply bound to China's new energy industry chain, facing the greatest external interference and the most unstable cooperation environment among all EU countries.

3.4. There is a lag in information exchange and cultural exchange

For a long time, there has been a problem of insufficient communication channels and low interaction frequency between China-Hungary and the EU as a whole, with prominent information asymmetry. Some

groups in the EU have insufficient understanding of China's industrial development, market environment, and corporate strength, and are easily misled by false statements, leading to misjudgments of China's development and advocating various restrictive policies. Various sectors in Hungary have insufficient understanding of China's latest development trends, cooperation models, and market demands, and some small and medium-sized enterprises are worried about being squeezed out of market share by Chinese enterprises and struggling to survive. The scale of cultural exchanges between the two sides is limited, and activities such as people-to-people exchanges, academic visits, youth interactions, and cultural interactions are relatively small, making it difficult to gather broad public consensus. Poor information communication and insufficient cultural exchanges can easily amplify the adverse effects of geopolitical public opinion and reduce the level of mutual trust between the two sides. On the basis of insufficient mutual trust, the prevention mentality of all parties has intensified and control measures have become stricter, resulting in the originally simple cooperation process becoming cumbersome and various barriers being difficult to break down. The scale of cooperation in the new energy industry between China and Hungary is large, and the negative impact caused by information asymmetry at the industrial level is far greater than that of general agricultural or light industrial trade.

4. Breakthrough path of China-Hungary cooperation under the EU framework

4.1. Proactively benchmarking regional rules and establishing a regular compliance docking mechanism

Systematically sort out various regulatory policies of the European Union, establish a regulatory interpretation framework including trade, investment, environment, data, etc., write guidelines in the fields of power batteries, chemicals, and cross-border railways, and summarize relevant regulations such as carbon border regulation and foreign investment subsidy review. Both parties shall conduct rule learning and professional training in advance, fully grasp the admission standards and operational norms of the EU single market, and complete rule adaptation work in the early stage of the project to reduce subsequent rectification costs. Companies such as CATL and BYD can jointly form an EU compliance team with local law firms to calculate carbon emissions and determine employee employment ratios. Establish a regular communication channel for bilateral rules, with dedicated personnel interpreting the new EU regulations simultaneously. After landing, Chinese enterprises shall comply with EU environmental, labor, and tax regulations, increase the proportion of local employment, and adapt to the requirements of the Industrial Acceleration Act. Prepare materials in advance for foreign investment review and product certification, and rely on local intermediaries to improve the approval rate, in order to fully comply with the regulatory pressure brought by the new Hungarian government's tightening of supervision.

4.2. Deepen multi-level strategic docking and balance the interests and demands of multiple parties

Relying on bilateral cooperation platforms to link government and enterprise institutions, incorporating China-Hungary cooperation into the EU's green transformation and digitalization process, positioning itself as the European battery manufacturing center in Hungary, and demonstrating the emission reduction and employment value of localized industrial chains. Priority should be given to cooperation in areas that are highly recognized by the European Union, have advantages for both sides, and have less competitive

pressure, such as new energy, cross-border transportation, modern agriculture and forestry, cultural tourism, and improving people's lives. Avoid the low-end vehicle track that directly competes with local German and French car companies, and focus on differentiated segmented markets such as energy storage and commercial buses. Using the Wanhua Baoside Park and BYD Bus Project as examples, export cooperation experience to Central and Eastern European countries to alleviate internal resistance within the European Union. Coordinate Hungary's development needs with the overall interests of the European Union, balance Hungary's local demands with EU regulatory standards in high-level communication, and mitigate project fluctuations caused by policy changes.

4.3. Promote industrial synergy and upgrading, narrow the gap in system adaptation

Relying on Hungary's European gateway location and China's production capacity and financial advantages, a cross-border industrial chain platform has been built. Led by CATL and EVE Energy, more than ten Chinese companies have entered the Debrecen Industrial Park, forming a complete upstream and downstream industrial chain and reducing carbon costs in their supply chain through continuous improvement of local supporting facilities. Intensify cooperation in complementary industries, establish industrial parks, logistics centers, and research and development centers, unify production processes, quality standards, and testing methods in segmented fields, narrow the gap in industrial adaptation, collaborate with Hungarian research institutions in the field of power batteries to develop low-cost battery cells that comply with EU battery regulations, and synchronously unify carbon footprint accounting standards. In the field of industrial competition, a staggered layout is implemented, with car companies deeply cultivating electric buses and small mobility scooters, and battery companies connecting with Mercedes-Benz and BMW for targeted support, in order to avoid competition through joint research and development and market reciprocity. Establish channels for small and medium-sized enterprises to connect, strengthen local industry linkage, enhance local economic benefits of projects, and alleviate the pressure of scrutiny from the new Hungarian government and the European Union.

4.4. Expand communication and dissemination channels, consolidate the foundation of mutual trust and cooperation

Integrate official and civilian communication channels, utilize the fact that there are 9000 local job opportunities and 1000 orders from local supporting enterprises in Ningde Times, promote the tax and emission reduction benefits brought by cooperation in the new energy industry, and eliminate adverse effects. Expand two-way cultural exchanges, establish new energy industry research programs, organize EU industry experts to conduct on-site inspections of Debrecen Battery Park and BYD Vehicle Base, and visually demonstrate the benefits of cooperation. Promote regular communication between the two chambers of commerce, organize enterprise visits, industry exhibitions, experience exchanges and other activities, jointly hold the Hungarian Electric Vehicle Supply Chain Forum once a year, continuously expand the participation of local enterprises, deepen mutual understanding and establish trust among all parties. Establish a cross-border public opinion monitoring and response system to promptly clarify rumors. Diversified communication enhances trust among the people, mitigates cognitive differences caused by regional differences, and provides a buffering effect on bilateral cooperation in response to changes in the foreign policy of the new Hungarian government.

5. Conclusion

The cooperation between China and Hungary is constrained by EU regulations, internal interest games, geopolitical disturbances, and differences in industrial systems, with multiple barriers overlapping to promote cooperation. Unlike Central and Eastern European countries that focus on light industry and agricultural product trade, the two countries have invested in the entire industry chain of power batteries and vehicles as their core, with large project volumes and fierce competition. Coupled with the alignment of the new Hungarian government with EU policies, the original preferential policies towards China have disappeared, and compliance, approval, and public opinion risks have significantly increased. Hungary has a low tax rate of 9% for enterprises, a location as a transportation hub between China and Europe, and the ability to support automobiles. Coupled with China's complete lithium battery production capacity, it has a strong foundation for cooperation. Looking towards the future, both sides should adhere to the principle of mutual benefit and win-win results, follow the trend of regional integration, find the right positioning for cooperation within the framework of the European Union, continue to cultivate differentiated tracks such as energy storage, commercial electric vehicles, and green chemicals, continuously improve methods and expand the scope of cooperation. Continuously eliminating obstacles is conducive to improving the level of cooperation between China and Hungary, realizing their respective potentials, and promoting closer cooperation between China and other EU countries, as well as advancing the development of China-EU relations.

Disclosure statement

The author declares no conflict of interest.

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