



Weekly Briefing

**Hungary external relations briefing:
Hungarian-Chinese Trade Relations In Light of the China
International Import Expo (2020)**

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Hungarian-Chinese Trade Relations In Light of the China International Import Expo (2020)

In the recent years, the weekly briefings of the China- CEE Institute have always dealt with the topic of the Chinese International Import Expo (CIIE), which has been annually held in Shanghai since 2018. This briefing first addresses the global relevance of the CIIE, then the latest trends in Hungarian and Chinese trade and the media coverage of the event. As we understand it, the attention to the CIIE was scant due to the absence of Hungarian politicians and businesspeople at the event, however data on bilateral trade show the resilience and the growing relevance of this trade relation.

1. Global relevance of the CIIE

This year's event was in no way any less important than the exhibitions in 2019 and 2018, but the Covid 19 pandemic cast a shadow over the international event which usually attracts a large number of foreign visitors and businesspeople. The CIIE was not only relevant because of the collapse of international trade, but China was also able to show its commitment to further opening up to the world and globalization. In addition to the CIIE, the signing of the Regional Comprehensive Economic Partnership (RCEP) Agreement with fourteen other Asian countries as well as further efforts to conclude the China-Japan-Korea Free Trade Agreement and the China EU Investment Agreement demonstrate China's global commitment as well. Looking at these efforts, we can clearly see China's consistency of keeping up with the ideas that Chinese President Xin Jinping has already voiced to the media; "Our aim is to turn the China market into a market for the world, a market shared by all, and a market accessible to all ...". At this stage, it is not clear to external observers (based on European interpretations of the term) how the efforts to open up relate to the concept of "dual circulation". The concept of dual circulation was launched by Xin Jinping in early 2020, but the details have not yet been publicized. European analysts tend to say that it stands for a new protectionism and an inward-looking model of economic development, but it would be simplistic to say so. The aim of dual circulation seems to be to strengthen China's autonomy in strategically important areas such as food production, the semiconductor industry and energy production. As we understand it, its aim is to rebalance the engines of economic growth, which is not a new idea in China. The need

to redesign the strategy of economic development arose after Global Financial Crisis in 2009. The idea of creating more strategic independence is not Chinese either, as other countries have reacted similarly to the disruption of global supply chains in the wake of Covid-19.

2. Chinese and Hungarian trade more resilient than global trade?

While according to the World Trade Organization, world trade is expected to shrink by about 9 percent in 2020, the trade volumes of Hungary and China have increased between January and August (2020), which shows the strong resilience of bilateral relations. Hungarian news portals reported that trade growth was robust in the first nine months of the year. During this period, Hungarian exports to China increased by 21.9 percent compared to the same period of the previous year, while imports from China grew even more strongly, the increase being 30.6 percent. In order to show the contrast with trade trends in general, it must be added that the export performance of the Hungarian economy as a whole shrank by 2.9 percent and imports fell by 2.5 percent in the nine months of 2020 compared to the same period in 2019. China's share of Hungary's trade with Asian countries in these months is 43 percent, which is rather significant.

But it must also be added that overall Asian relations have developed favorably in the first nine months of 2019. Exports to the region increased by 18.4 percent, while imports from the region grew by 20.2 percent according to figures from Hungarian Central Statistical Office. According to the data from Hungarian Export Promotion Agency's, most of this growth came from exports of machinery and transport vehicles. The good news also has a slightly more negative interpretation. Since machinery and transport vehicles are mainly manufactured by multinational companies based in Hungary, the growth is more likely to be due to the success of multinational companies in Hungary than to Hungarian companies. The Agency also published the export performance of its offices in the given countries and compared it with the data on total exports.¹ The data illustrate the changes in the first half of the year compared to the corresponding period in 2019 in various sectors. Total exports fell by 11.5 percent in the first six months, while exports to China rose by 7.4 percent. In the "food, beverages and tobacco" category, Hungarian exports to China increased by 22.9 percent, while the overall growth of exports in this category was a moderate 4.5 percent. The biggest difference between China and total exports can be found in the category "machinery and transport vehicles". Total

¹ The Agency runs with six offices all around the world. (Belgrade, Istanbul, Moscow, Shanghai, Tokyo, and Toronto.)

exports of these goods collapsed and shrank by 22.8 percent, while exports of these products to China increased by 11.1 percent. In the category "processed goods", Chinese exports also performed better, total exports fell by 2.3 percent and the China relation increased by 3.8 percent.²

Table 1. Trade balance with China in the region (Billion, \$)				
	Trade balance with China in 2010	Trade balance with China in 2018	Overall balance in 2010	Overall balance in 2018
Czech Republic	-14,1	-23.5	6.4	17.6
Hungary	-4.6	-4.0	7.3	6.6
Poland	-14.8	-28.4	-17.0	-5.8
Slovakia	-2.7	-3.9	-0.4	0.5
Source: World Bank WITS database				

Of course, the figures in this respect are lower than those for European trade, but the trends illustrate the growth potential in this context. At the same time, the past history of trade between China and Hungary bodes well, as Hungary was the only country in the Visegrad Four to slightly reduce its trade deficit with China in the period between 2010 and 2018. It would be oversimplifying to establish a direct correlation between the deterioration of trade with China and turnarounds in China policy (see Poland and Czech Republic), but the deterioration in the balance must have been one of the key elements.

3. The coverage of the China International Import Expo (2020) in the Hungarian media

In other words, the commitment to open up the Chinese economy is extremely important, and the China International Import Expo is one of the significant opportunities where China can send a clear signal of opening up for business.³ The total value of tentative deals was 72 Billion \$ in 2020, which represents moderate growth (2.1 percent) compared to 2019, but nevertheless, the current circumstances have been shaped by the first and second wave of the global pandemic and were not favorable for the exhibition.

² The export of raw materials and energy sources fell in total exports and China exports as well.

³ Besides that, the cutting of the negative list for foreign investment or the increase of pilot free trade zones from 18 to 21 are equally important.

Due to travel restrictions around the world, the Hungarian presence at the event was more moderate but innovative. This year, the Hungarian Export Promotion Agency and the Consulate General of Hungary Shanghai jointly organized the Hungarian exhibition stand. The Hungarian exhibition "InnoHungary" focused on innovation, tourism and sports diplomacy. While the event took place in Shanghai, an online streaming event was held in Hungary. During these four days, visitors to the exhibition stand were able to visit historical Hungarian cities, famous wine regions of the country and view the work of seven Hungarian companies. The Hungarian exhibition stall was visited by 150,000 people and the online streaming was followed by 100,000 people. Data on tentative business deals are not yet known, but it would not be surprising if these data were lower than last year. As Hungarian politicians and businessmen were unable to attend the event, the Hungarian media generally did not cover the exhibition, only a few short reports were published on China International Import Expo (2020), and none of them covered the event in a broader geopolitical context.

4. Summary

As we stressed above, the China International Import Expo, its relative success and other Chinese diplomatic efforts (Regional Comprehensive Economic Partnership Agreement, negotiations on China-Japan-Korea Free Trade Agreement and the China EU Investment Agreement) seem to send a clear signal to the world that the country is open for business, but these messages do not always reach the audience as the poor media coverage of the exhibition has shown us. Nevertheless, we can point out that the positive developments in bilateral trade relations have been adequately covered by the Hungarian media. The main reason for the increased awareness is the fact that the disruption and transformation of global supply chains in the wake of the global pandemic is a hot topic everywhere and the resilience of Chinese and Hungarian trade trends is a part of the overall picture.