

China's economic and cultural relations with Cambodia and Hungary in the framework of OBOR: A comparative analysis

A kínai-magyar és a kínai-kambodzsai gazdasági és kulturális kapcsolatok összehasonlító elemzése az Egy övezet, egy út kezdeményezés keretében

ESZTER LUKÁCS¹ – KATALIN VÖLGYI² – CHANTHY BEAN³ – HUIJING YE⁴

Abstract

In our paper we investigate China's economic and cultural relations with Cambodia and Hungary in the framework of OBOR. The One Belt, One Road Initiative, which was launched by Chinese President Xi Jinping in 2013, is a joint designation for the Silk Road Economic Belt and the 21st Century Maritime Silk Road, contemporary versions of the centuries-old Silk Road trade routes. The 'march westward' concept behind the Initiative puts China's relations with Asia, Africa and Europe into a new wider framework. OBOR covers five key (economic and social/cultural) areas of cooperation, namely, policy coordination, infrastructure connectivity (priority area), trade and investment facilitation, financial cooperation, and people-to-people bond which constitute the analytical framework for our comparative study which is aimed at mapping similarities and differences between China's relation with a geographically close country, Cambodia, and a geographically distant country, Hungary.

Keywords: Cambodia, economic and cultural relations, Hungary, OBOR

Absztrakt

A tanulmányban a szerzők a kínai-kambodzsai és a kínai-magyar gazdasági és kulturális kapcsolatokat vizsgálják az OBOR kezdeményezés keretében. Az Egy övezet, egy út kezdeményezés, amelyet 2013-ban Hszi Csinping kínai elnök hirdetett meg, a több évszázados selyemút kereskedelmi útvonalak jelenkori változatainak tekintett selyemút gazdasági övezet és 21. századi tengeri selyemút összefoglaló elnevezése. A kezdeményezés mögött meghúzódó "haladás nyugat felé" koncepció Kína Ázsiával, Afrikával és Európával fenntartott kapcsolatait egy új, szélesebb keretbe helyezi. Az OBOR öt kulcsfontosságú (gazdasági és társadalmi/kulturális) együttműködési területet – szakpolitikai koordináció, infrastrukturális összekapcsolódás (prioritási terület), kereskedelem és befektetések elősegítése, pénzügyi együttműködés, emberek közötti kapcsolat – határoz meg, amelyek az összehasonlító tanulmány elemzési keretétől szolgálnak. A tanulmány célja, hogy feltárja egy Kínához földrajzilag közeli ország, Kambodzsá, illetve egy attól földrajzilag távol eső ország, Magyarország Kínával való kapcsolataink hasonlóságát és különbségeit.

Kulcsszavak: Kambodzsá, gazdasági és kulturális kapcsolatok, Magyarország, OBOR

¹ Dr. Lukács Eszter, vice rector for educational affairs, associate professor, Széchenyi István University; E-mail: lukacs.eszter@sze.hu

² Dr. Völgyi Katalin, assistant professor, Széchenyi István University; E-mail: volgyi.katalin@sze.hu

³ Chanthy Bean, university student, Széchenyi István University; E-mail: beanchanthy@gmail.com

⁴ Huijing Ye, university student, Széchenyi István University; E-mail: 565222309@qq.com

INTRODUCTION

The main aim of our study is to compare the economic and cultural relations of Cambodia and Hungary with China in the framework of OBOR. Due to its geographical closeness, Cambodia has had a historic commercial and cultural relationship with China. About the present China–Cambodia relations we can surely state that politically, Cambodia is one of China’s closest allies. Economically, China is Cambodia’s top foreign investor, largest donor, and increasingly important trading partner (Heng, 2012). The Chinese culture also has a strong presence in the Cambodian society because of the long history of the settlement of ethnic Chinese in Cambodia. *“Cambodia’s ethnic Chinese largely arrived in the nineteenth and twentieth century. A new wave of Chinese migrants began in the 1990s”* (Chheang, 2017a, 21). According to various Cambodian–Chinese associations, at least 700,000 Cambodians (approximately 4.4 percent of Cambodia’s population) are of Chinese descent (Nhean, 2014). There are 55 Chinese schools operating in Cambodia (Reddrick–Co, 2017). Mandarin is the second most popular foreign language after English (Siphath, 2015). Ethnic Chinese play a prominent role in the Cambodian business sector as well as within Cambodia’s political scene (Heng, 2012). They also facilitate the building of economic relations between China and Cambodia.

In comparison to Cambodia, Hungary does not have such intensive political, economic and cultural relations with China because of its geographically distant position, but the ascendance of China in the global arena signals more and more vigorous relations between these two countries as well. Growing interests of China towards the CEE region were especially signalled by the official tour to Europe (Belgium, Germany, Bulgaria, Romania and Hungary) of Xi Jinping (China’s then Vice President) in 2009. And before this visit, a debate had already started among Chinese senior officials on how to elevate China’s cooperation with the CEE region. The global financial crisis-ridden Hungary welcomed China’s approach when it was actively seeking for external financing, investment and export opportunities (outside Europe). And as a forerunner among CEE countries, Hungary launched the so-called Eastern Opening policy in 2012 in which China has a central role. Besides, a large Chinese overseas diaspora (19,000 people⁵) lives in Hungary, which also contributes to strengthening economic and cultural relations between these two countries. The CEE region’s only bilingual (Chinese–Hungarian) primary school has been operating in Hungary since 2004.

In our paper we concentrate on the recent development of China’s relations with Hungary and Cambodia under the One Belt, One Road Initiative, which was launched by Chinese President Xi Jinping in 2013 to realize the country’s ‘march westward’ concept and avoid confrontation with the USA. It creates a new framework for China’s external relations – among others – with Southeast Asia (including Cambodia) and the CEE region (including Hungary) in the economic and social/cultural fields.

1. CHINA’S ONE BELT, ONE ROAD INITIATIVE

The One Belt, One Road Initiative was launched by Chinese President Xi Jinping in 2013. It consists of two contemporary versions of the centuries–old Silk Road trade routes, namely, the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The creation of the former one, which is a land-based economic belt, was proposed by Xi Jinping in September 2013 in Kazakhstan. The establishment of the latter one, which covers maritime trade routes, was introduced by the Chinese leader in October 2013 in Indonesia. These two connectivity plans

⁵ data from the Hungarian Central Statistical Office cited by Lajtai-Szabó (2018)

puts China's relations with Asia, Africa and Europe into a new wider framework. China's 'march westward' concept can be explained by strategic, economic and domestic motivations.

From a strategic perspective, OBOR was launched by China to expand its strategic manoeuvring space and avoid confrontation with the USA which introduced its 'Pivot to Asia' strategy in 2009 to reinforce its economic ties and strengthen military alliances with the region to contain the rise of China in the global arena. The One Belt, One Road Initiative has become the centrepiece of the Chinese leadership's new foreign policy which started to unfold late in the era of Hu Jintao's presidency. But significant changes in the foreign policy have been more widely observed under the new leadership headed by Xi Jinping. *"The new Chinese leadership is decidedly moving away from the country's long-standing policy approach of 'hiding one's capabilities and biding one's time', and becoming more confident and proactive in utilizing China's growing power and influence to protect and advance its national interests and to shape a favourable external environment"* (Zhang, 2015, 6–7). Notwithstanding, we can also see the continuity of the 'peaceful rise' strategy which is aimed at preserving a steady external environment critical to China's economic development. China keeps on emphasizing its developing status as well as its peaceful development strategy (Pu, 2016), which can be considered now as peaceful rise 2.0, *"features a more purposeful and even assertive pursuit of China's national interests whilst vigorously seeking to maintain a peaceful external environment"* (Zhang, 2015, 7).

From an economic perspective, OBOR in line with the industrial plan of Made in China 2025⁶ and the guidelines of International Cooperation in Industrial Capacity and Machinery Manufacturing⁷ launched in 2015 are aimed at fulfilling China's new 'going out' strategy which has arisen after the global economic and financial crisis. The crisis has resulted in a significant deceleration of China's economic growth, production overcapacity in several industrial sectors and the launching of China's industrial upgrading and economic transformation from an export, manufacturing and investment-driven growth model to a consumption-, innovation- and service sector-driven one. In the light of China's inadequate domestic demand and slow economic restructuring, and saturated export markets in the developed countries, emerging and developing countries targeted by OBOR can help to absorb China's massive production overcapacity in manufacturing, infrastructure construction and related industries (through exports or relocation of production). Underdeveloped countries sandwiched between East Asia and Europe especially have a huge demand for infrastructure construction and financing, both of which China's OBOR Initiative can provide to them. Development of infrastructure connectivity as a priority area of OBOR will facilitate further trade and investments which are also designated fields of cooperation in China's Initiative. Boosting trade and investments between China and other OBOR participant countries is

⁶ The industrial plan of Made in China 2025 aims, among others, to deepen the automation and digitization of domestic industry, enforce green manufacturing, restructure manufacturing industry, promote service-oriented manufacturing and manufacturing related service industries, improve manufacturing innovation, promote breakthroughs in key sectors (e.g. high-end numerical control tools and robotics, aerospace and aviation equipment, oceaneering equipment and high-tech ships, new information technology, advanced railway equipment, energy saving and new energy vehicles, power equipment, medicine and high-performance medical devices, agricultural machinery, new materials) and internationalize manufacturing (Ernst & Young, 2016).

⁷ According to the guidelines of International Cooperation in Industrial Capacity and Machinery Manufacturing, China tries to facilitate cooperation in core sectors such as iron & steel, nonferrous metal, railways, electricity power, chemical engineering, textiles, communications, construction materials, automobiles, engineering mechanics, aerospace & aviation, ship and ocean engineering, with developing countries that match China's industrial structure, as well as developed countries. China's competitive industries and capacities will be expanded to other countries (Ernst & Young, 2016). The strategy *"aims to build partnership between domestic and overseas firms, elevate Chinese industry in global value chains; and develop third country industries and markets to sustain China's growth; promote high-speed rail, nuclear energy and major construction projects"* (China Policy, 2017, 8) to satisfy the needs of the global infrastructure market.

expected to support China's internationalization strategy of Renminbi. Another important economic motivation behind OBOR is to secure greater access for China to energy and other natural resources, for example, through building gas and oil pipelines starting from Central Asia and deep sea ports in South and Southeast Asia (Engelberth-Sági, 2017).

China's domestic motivation behind OBOR is to rebalance regional development between the country's advanced coastal regions and underdeveloped western regions. "*OBOR could play a crucial role in connecting China's several regional programs such as 'Develop the West' and 'Revive the Northeast' in a more organic way*" (Pu, 2016, 114).

When OBOR was launched in 2013, its content was vague. More details on OBOR were published only in the blueprint of 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road' in March 2015. This blueprint contains OBOR's main principles, framework, cooperation priorities, and mechanisms. The Initiative covers, but is not limited to, the area of the ancient Silk Road. It is open to all countries, and international and regional organisations for engagement (NDRC, 2015). It determines six economic corridors along Asia, Africa and Europe.⁸ Cambodia is part of the China-Indochina Peninsula Economic Corridor and Hungary is part of the New Eurasia Land Bridge Economic Corridor. To push forward the building of the Belt and Road, China will take full advantage of the existing regional cooperation mechanisms (NDRC, 2015)⁹. In case of Cambodia, we can mention, among others, the ASEAN plus China cooperation. The 16+1 or CEEC¹⁰ plus China cooperation is a good example in the case of Hungary. The blueprint identifies five fields of cooperation under OBOR: policy coordination, infrastructure connectivity, trade and investment facilitation, financial cooperation, people-to-people bond. These economic and social/cultural fields constitute the analytical framework for our comparative study in which we compare the outcomes of Cambodia's and Hungary's cooperation with China under OBOR.

China's ascendance in the world economy and politics and the international projection of the Chinese culture to create a favourable external environment for the country's rise started long before the launch of OBOR. From this perspective, OBOR reflects a certain continuity, but with a 'march westward' concept.

2. CHINA'S ECONOMIC RELATIONS WITH CAMBODIA AND HUNGARY

China has been playing a relatively larger role in the economy of Cambodia than in that of Hungary. This difference can be explained by the 'geographical distance' factor, although the economic rise of China through trade, FDI and infrastructure financing in the global arena is tangible in Hungary as well. The difference between the economic development level of Cambodia and Hungary can also explain these two countries' distinct economic relations with China. Cambodia is a lower-middle income, developing country where agriculture's share in GDP has been decreasing, but it is still relatively high (26.6% in 2016). After launching market reforms (the transition from a command to a market economy), the industrialization of

⁸ China-Mongolia-Russia Economic Corridor, New Eurasia Land Bridge Economic Corridor, China-Central Asia-West Asia Economic Corridor, China-Indochina Peninsula Economic Corridor, China-Pakistan Economic Corridor, Bangladesh-China-India-Myanmar Economic Corridor, 21st Century Maritime Silk Road

⁹ Shanghai Cooperation Organisation, Greater Mekong Sub-region (GMS) Economic Cooperation, Central Asia Regional Economic Cooperation (CAREC), China-Arab States Cooperation Forum (CASCF), Forum on China-Africa Cooperation (FOCAC), Asia Pacific Economic Cooperation (APEC), and the Asia Cooperation Dialogue (ACD)

¹⁰ Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia

the Cambodian economy started only at the beginning of the 1990s, with a focus on attracting export-oriented foreign direct investments into the manufacturing sector. With gradual economic liberalization, Cambodia has started to integrate into the world economy, and especially into the so-called Asia Factory, mainly through the garment industry (at the lowest end of the garment value chains). Beyond the garment industry, Cambodia’s economic development mainly depends on agro-processing, tourism and construction. In contrast with Cambodia, Hungary is a high income, developed country. Agriculture has a small share (4.4%) in the country’s GDP, although Hungary has been following a development strategy based on manufacturing exports and FDI which makes it similar to Cambodia. Hungary, however, has been integrated into the European Union, especially through the automotive industry.

Both countries have elevated their cooperation with China to a comprehensive strategic partnership since 2010 (Cambodia) and since 2017 (Hungary), respectively. Both countries matter a very active supporter of OBOR in its own home region. In the case of Cambodia, the country’s heavy economic dependence on China explains its attitude to OBOR. Regarding Hungary, we can say that the country has been one of the forerunners among CEE countries in strengthening economic relations with China especially since 2009, when the global financial and economic crisis forced Hungary actively to seek external financing, investments and export opportunities (outside Europe). In 2012, Hungary launched the so-called Eastern Opening policy to diversify its economic relations, especially towards Asia, with a priority focus on China. Hungary was the host of the first China – Central and Eastern European Countries Economic and Trade Forum which is the origin of the 16+1 mechanism. Hungary was also the first European country to officially sign a MoU on jointly promoting the OBOR Initiative in 2015.

2.1 TRADE

China is Cambodia’s largest import partner. China represented 36.8% share in Cambodia’s total imports in 2016. Between 2000 and 2016, Cambodia’s imports from China grew from 0.1 to 4.6 billion US dollars. During the same period, Cambodia’s exports to China increased from 0.024 to 0.6 billion US dollars. This means a huge deficit in Cambodia’s trade relation with China. China is Cambodia’s 6th largest export market (6.1%) behind developed countries such as the USA, the United Kingdom, Germany, Japan and Canada. Like Cambodia, Hungary has a huge trade deficit with China. Between 2000 and 2016, Hungary’s imports from China grew from 0.9 to 4.9 billion US dollars. During the same period, Hungary’s exports to China increased from 0.04 to 2.2 billion US dollars.

Table 1: Cambodia’s and Hungary’s trade with China (billion US dollars)

Year	Cambodia		Hungary	
	Exports to China	Imports from China	Exports to China	Imports from China
2000	0.024	0.1	0.04	0.9
2016	0.6	4.6	2.2	4.9

Source: World Bank

China is Hungary’s 13th largest export market (2.2%) and 5th largest import market (5.3%).¹¹ China’s share in Hungary’s total trade has remained relatively low in comparison to

¹¹ data from the World Integrated Trade Solution, <https://wits.worldbank.org/>

the EU's share. 79.5% (87.8%) of Hungary's total exports are directed to and 78.1% (84.9%) of its total imports originate from the EU (Europe)¹². But we can also state that there are some initial results of the Eastern Opening policy (2012) which is aimed – among others – to increase Hungarian exports to Asia, including China. China's share in Hungary's total exports increased from 1.8% to 2.2% between 2012 and 2016. And China jumped from 15th to 13th place in the export partners' ranking.¹³

“Cambodia's global trade is dominated by textile and garment products. Fabrics and manmade staple fibres are Cambodia's major import commodities whereas apparels, clothing, and footwear are its major export commodities” (Tanaka, 2017, 6). Cambodia has been integrated into the garment global value chains, in which fabrics and manmade staple fibres imported from mostly East Asian countries such as China, are processed to manufacture garment and footwear exported to developed countries such as the USA, UK and Germany. Cambodian shipments to China, which is Cambodia's 6th largest export market after the developed countries, consist mostly of agricultural products, primarily rice, cassava, cashew nuts, semi-processed palm oil and rubber. Cambodian imports from China are mainly cars, motorcycles, construction materials, fabrics, cigarettes and fertilizers (Kunmakara, 2018).

In the case of Hungary, machinery and transport equipment (SITC7) have the highest share in the country's global trade. This group of products represents 54% of total exports and 48% of total imports. The most important export goods of Hungary are passenger cars and the most important import goods are motor vehicle parts and accessories which reflect Hungary's participation in the automotive global supply chains. Hungary's export and import activities are mainly dominated by transnational corporations. The country's trading relations with China show similar patterns. 64% of Hungary's exports to China and 75% of Hungary's imports from China consist of machinery and transport equipment. On the product level, we can see how production networks (in electronics, automotive industry) of the EU and East Asia have been interconnected via Central and Eastern Europe (Hungary) due to activities of Western European, Asian and other transnational corporations located in the CEE region (Hungary). Hungary's main export goods to China are:

- internal combustion piston engines and parts (12.4%);
- measuring, checking, analysing and controlling instruments and apparatus (10%);
- electrical apparatus for switching and protecting electrical circuits or for making connections to or in electrical circuits, electrical resistors, printed circuits, boards etc. (5.4%);
- automatic data-processing machines and units, magnetic or optical readers (5.3%);
- parts and accessories of motor vehicles (4.8%).

Hungary's main import goods from China consist of:

- telecommunication equipment and parts (24.3%);
- electrical apparatus for switching and protecting electrical circuits or for making connections to or in electrical circuits, electrical resistors, printed circuits, boards etc. (7.5%);
- automatic data-processing machines and units, magnetic or optical readers (7.2%);
- parts and components of office machines and products of (3) group (6.2%);
- electrical machinery and apparatus (4.5%).¹⁴

Although Hungary's bilateral trade with China is dominated by transnational corporations (Németh, 2013), in relation to the 'Eastern Opening' policy we can see some favourable development in Hungarian companies' exports to China: between 2010 and 2016, the number

¹² data from the Hungarian Central Statistical Office

¹³ data from the World Integrated Trade Solution, <https://wits.worldbank.org/>

¹⁴ data from Eurostat/Comext

of Hungarian companies' exports to China increased by 50% to about 1000 (Hungarian News Agency, 2017a); Hungarian agricultural exports to China increased tenfold (MTI, 2017).

2.2 FOREIGN DIRECT INVESTMENTS

Foreign direct investments have been playing an important role in Cambodia's economic development. China is the largest foreign investor in Cambodia. According to the data of the Council for the Development of Cambodia, fixed asset investments from China accounted for 20.2% of the total investment in Cambodia from 1994 to 2017 (Xinhua, 2018). Cumulative FDI inflows from China amounted to 14.7 billion US dollars in 2016. Chinese investments are present in several sectors such as garments, agriculture, food processing, tourism, mining and energy. Chinese companies in the garment industry employ more than half a million Cambodian workers (Chheang, 2017b). Garment production in Cambodia generates relatively low value added. It is located in low-end labour-intensive tasks of global value chains in textiles and garments (Tanaka, 2017). In the Cambodian agriculture, Chinese companies have investments mainly in rubber plantation and rice mills. China is not only the largest foreign investor in Cambodia, but also the largest sender of tourists to Cambodia. And „*Chinese business people have also invested in lot of tourism-related businesses such as hotels, resorts, travel and tour companies, and restaurants*” (Xinhua, 2018). In the Cambodian energy sector, Chinese state-owned companies have invested in hydropower plants. Chinese companies in the Cambodian mining sector are interested in iron ore, gold and granite. “*China has also invested in constructing the Sihanoukville Special Economic Zone which is the first special economic zone funded by the Chinese government in Asia. There are 108 enterprises located in the zone with a total investment capital of more than 3 billion US dollars*” (Chheang, 2017b). 90% of the factories operating in the Sihanoukville Special Economic Zone are from China and mostly produce textiles for the European Union and the US market. Chinese companies have 16,000 local employees. In the framework of OBOR, Cambodia would like to develop further the Sihanoukville Special Economic Zone and other SEZs as well. The government of Cambodia's goal is to have 300 factories in the zone by 2020 and to employ as many as 100,000 workers (Guo, 2017). Agriculture is assigned as another field of cooperation between Cambodia and China under the OBOR Initiative. The Cambodian government's aims are to improve production and quality of products, promote capacity to add product values through building agro-processing industry and improve bilateral trade and investment in high-quality agricultural products (Sophea, 2017). In the field of tourism, the main goal is to increase the number of Chinese tourists visiting Cambodia. By 2020, it is predicted the number will reach 2 million. This would mean a huge jump, as the actual number of Chinese tourists was 700,000 in 2015 (Chheang, 2017c).

In the case of Hungary, China does not belong to the largest foreign investors. According to the latest revised statistics (considering final investors) of the Hungarian Central Bank, in 2015, 62% of the whole FDI stock in Hungary was from Europe. China's share was only 2.3% (1.78 billion euros or 1.94 billion US dollars). Chinese FDI to Hungary started to increase significantly after the country joined the EU in 2004. Chinese state-owned or private transnational companies have investments in several industries such as electronics, chemical, motor vehicle, telecommunication, banking, logistics etc. They include Wanhua (BorsodChem), BYD Electronics, Yanfeng, Bohong (Wescast), Lenovo, Sevenstar, Huawei, Comlink, ZTE, Bank of China to name a few. “*Some of them (e.g. Lenovo, ZTE, Huawei, Bank of China) have turned their Hungarian business into the European regional hub of their activities. Hungary's importance as a regional distribution centre can be observed in the field of trade, too. Some large retail and wholesale trade, as well as business matching centres in Budapest – e.g. Asia Centre, China Brand Trade Centre, Budapest Fashion Centre and*

Budapest China Mart – support the distribution of different Chinese (and other Asian) products in the CEE region and also supply Hungarian customers” (Szunomár et al., 2014, 43). In addition to this, the Chinese diaspora living in Hungary is mainly engaged in catering and retail.

In recent years, several Chinese companies such Huawei, ZTE, Wanhua, BYD Electronics, Bank of China, Bohong and Yanfeng have increased their investments in Hungary. Most of these Chinese companies (such as Huawei, Wanhua, Yanfeng, Bank of China and Bohong), which have contributed to the goal of FDI attraction of the Eastern Opening policy, have concluded a strategic cooperation agreement with the Hungarian government. In addition to this, there are investments of BBKA Group and Tianshan Industrial Group in Hungary which are still under progress. In relation to OBOR we have to emphasize the role of 16+1 or CEEC plus China cooperation, in the framework of which the China- Central and Eastern Europe Investment Cooperation Fund was established in 2014. During its first phase, the Fund invested 91 million US dollars in Hungary. Among others, it acquired BKF University of Applied Sciences in 2013 and Hungarian telecom firm Invitel in 2017. In the second phase, Hungary can expect 140 million US dollar investments. In the framework of 16+1 cooperation, Hungary has become the host country for the China-CEE Tourism Cooperation Centre in 2014. In 2015, direct flights between Beijing and Budapest were relaunched. Nights spent by Chinese tourists in Hungary grew from 160,000 to 371,000 between 2014 and 2017.

2.3 INFRASTRUCTURE FINANCING

Infrastructure connectivity is the priority area of cooperation under OBOR. As a developing country, Cambodia especially needs external financing for infrastructural development which is essential to the country's economic development. China had already become the largest ODA donor for Cambodia before OBOR was launched in 2013. By 2017, *“Chinese concessional loans and grants to Cambodia have topped over 4 billion US dollars, which mainly focus on road and bridge infrastructure and hydropower plants. China, under grant and loan programs, has built highways with an accumulated length of 2,669 km, accounting for 35 percent of the total length of national highways in Cambodia. China has built seven large-scale bridges over the Mekong River and other rivers, and constructed a number of hydropower stations (six completed and one under construction,) and three major power grid networks. In 2016, China provided grants to build a new modern international stadium for Cambodia to host Southeast Asian Games in 2023”* (Chheang, 2017c, 58). Besides this, China has supported the construction of several schools, hospitals, rural roads and water supply projects, and agricultural technological cooperation centres. In the framework of OBOR, China continues to finance the infrastructural development of Cambodia. And the Southeast Asian country can rely on financing of newly established development banks and funds such as the Asian Infrastructure Investment Bank, the BRICS Development Bank, and the Silk Road Fund. Several infrastructure investment projects in progress can be labelled as OBOR projects, for example the construction of Sihanoukville Special Economic Zone and hydropower plants in Koh Kong province and Stung Treng province. *“Other projects that are going to be implemented include a new Siem Reap International Airport and Phnom Penh-Sihanoukville expressway. Cambodia plans to convert coast areas to be the core destination for Chinese investors”* (Chheang, 2017c, 61).

In the case of Hungary, we should first highlight the strategic location of its home region, namely, Central and Eastern Europe. From a geo-economic point of view, the CEE region *“is adjacent to Russia and Central Asia, but also to Turkey and the Mediterranean – meaning that – what is called the Eurasian Land Bridge, as well as a number of maritime routes envisioned under the OBOR Initiative pass through this region. It is also an entry point to the*

European common market” (Vangelli, 2017, 1). Under the 16+1 cooperation mechanism, which is an important pillar of the OBOR Initiative, China established a 10 billion US dollar credit-line (concessional loans) in 2012, the China-Central and Eastern Europe Investment Cooperation Fund in 2013, and the Sino-CEE Fund – among others – to finance infrastructure projects in CEE countries. Between 2012 and 2017, mainly Western Balkan countries of the CEE group relied on the loans offered by China in the field of infrastructure development, because Western Balkan countries are not members of the EU, so rules leave enough space for China’s financier – contractor type of infrastructure development. In the case of Hungary, we can mention only one project, the Budapest–Belgrade railway link. To plan the project, China, Hungary and Serbia agreed on jointly building a railway link and setting up working groups in 2013. In 2015, China signed separate deals with Hungary and Serbia to construct and revamp a rail link between Belgrade and Budapest. Only at the end of 2017, the construction of the

Serbia–Hungary railway line started on the Serbian side and Hungary announced an open bidding for the section within its border. The delay from the Hungarian side was caused by the infringement proceeding which was launched by the European Commission in May 2016 to clarify the details of the deal concluded by China and Hungary in 2015. The European Commission was investigating whether Hungary was complying with EU procurement rules, which require public tenders for large transport projects. In May 2017, the agreement on the relevant rail link was modified by the Hungarian Parliament and then the open bidding was announced in November 2017. The value of the modernisation of the Hungarian part of the 350 km rail link stands at 2.1 billion US dollars, 85 percent of which will be financed with a 20-year loan from the Export-Import Bank of China. Construction could start in late 2020 after the tendering, planning and licensing process (Suokas, 2017).

3. CHINA’S CULTURAL RELATIONS WITH CAMBODIA AND HUNGARY

China actively uses the tool of cultural diplomacy to create a favourable external environment which supports its further economic development, modernization and makes the international community accept its rise (in world economy and politics). “*The promotion of Chinese-language learning is a major aspect of China’s cultural projection and the Confucius Institutes are the main means of promoting Chinese-language learning*” (Gil, 2015, 202). The first Confucius Institute was established in South Korea in 2004. By 2017, 525 Confucius Institutes and 1,113 Confucius Classrooms are operating in 146 countries (Hanban, 2017).

In Hungary, the first Confucius Institute was opened at Eötvös Lóránd University in Budapest in 2006. In 2012 and 2013, The University of Szeged and The University of Miskolc established Confucius Institutes. In 2014, The University of Pécs opened a Confucius Institute for Traditional Chinese Medicine. Two Confucius Classrooms in Budapest have been operated by Bolyai High School since 2009 and the Hungarian-Chinese Bilingual Primary School since 2010. The Confucius Institute at Eötvös Lóránd University got a new function in 2014. Since then, it has been functioning as a Teacher Training Centre serving the Confucius Institutes in Central and Eastern Europe. The Hungarian-Chinese Bilingual Primary School, which was established in 2004 partly to teach the children of the most populous Chinese diaspora in the CEE region, was expanded to a high school in 2016.

In Cambodia, the Royal Academy of Cambodia opened a Confucius Institute in 2009. There are three Confucius Classrooms in Cambodia, two of them have been operated by military and police institutions (70th Brigade and Police Academy of Cambodia) in Phnom Penh and the third one has been run by Angkor High School in Siem Reap Province since

2013. Chinese education for Cambodian military staff is necessitated by the two countries' cooperation in the military field. Besides the Confucius Institute and the three Classrooms, 55 Chinese schools operate in Cambodia (Reddrick–Co, 2017) where appr. 700,000 Cambodians are of Chinese descent (Nhean, 2014).

The Confucius Institutes' main function, namely language teaching, has been enriched. There is a growing number of special Confucius Institutes featuring academic studies, culture, business, Chinese medicine (See in case of University of Pécs), science and technology, Kungfu and professional training. Beyond language courses, Confucius Institutes also offer cultural and educational exchanges, academic research and social services.¹⁵ For example, *“throughout 2017, Confucius Institutes held a total of 42,000 various cultural events with 12.72 million audience”* (Hanban, 2017, 16). And *“each year, the Confucius Institute Conference and dozens of regional and national conferences are held to share experience in running schools and showcase different culture”* (Hanban, 2017, 4). Confucius Institutes also organize events related to Chinese festivals, food, films, publishing, literature and arts. According to the 2017 Annual Development Report published by Hanban (the Office of Chinese Language Council International), Confucius Institutes have become a vital force for international cooperation under the Belt and Road Initiative. They have further continued those activities along Belt and Road countries which had already been started before the official launch of OBOR in 2013. And besides, it is worth highlighting that in 2016, a so-called Belt and Road Research Centre was inaugurated at Eötvös Lóránd University (the host university of the first Confucius Institute in Hungary). And in 2017, the Joint Conference of Confucius Institutes in Central and Eastern European Countries was also hosted at Eötvös Lóránd University which was a side-line event of the annual summit of the 16+1 cooperation, one of the strategic pillars of OBOR.

In the blueprint of Actions and Vision on OBOR published in 2015, the development of cultural relations are included in the ‘people-to-people bond’ field of cooperation which covers – among others – cultural years, arts festivals, book exhibitions, film festivals, Chinese festivals and other exchange activities organized by China and countries along the Belt and Road. *“The Chinese Ministry of Culture published ‘the Belt and Road Cultural Development Action Plan (2016–2020)’ in January 2017. The plan of action includes the construction plan of the international exchange mechanism along the Belt and Road; the domestic cooperation mechanism construction plan along the Belt and Road; the construction plan of China Cultural Centre along the Belt and Road, the construction plan of the cultural exchange and cooperation platform; Silk Road Cultural Tour program; Silk Road cultural industry belt construction plan and other programmes”* (Guoyou, 2017, 75).

In Cambodia, Chinese culture has very deep roots in the society because of the centuries-old history of the settlement of Chinese immigrants in the country. During the 1970s and 1980s the Chinese community and their social and economic activities were repressed. Since the beginning of the 1990s, the Chinese have rapidly re-established their cultural, educational and business associations in Cambodia. In 2016, the Phnom Penh China Cultural Centre was inaugurated by Chinese President Xi Jinping and Cambodian Prime Minister Hun Sen. The predecessor of the China Cultural Centre is the Phnom Penh Chinese Culture House which was opened in 2014. In the case of Hungary, Zoltán Balogh, Minister of Human Capacities, in 2017 announced that Hungary would provide all possible support to open a China Cultural Centre in Budapest soon (Hungarian News Agency, 2017b). This could be the counterpart of the Hungarian Cultural Centre opened in Beijing in November 2013.

In sum, we can state that China has continued with the projection of the Chinese culture in the global arena, but along the Belt and Road with a more concentrated focus on Asian,

¹⁵ e.g. scholarships for university/college students, ‘Confucius China Studies Program’ for scholars, experts, businessmen, government officials, ‘China Bridge’ Chinese proficiency competition

African and European regions/countries such as Southeast Asia/Cambodia and Central and Eastern Europe/Hungary.

4. CONCLUSION

In our comparative paper we have investigated Cambodian-Chinese and Hungarian-Chinese economic and cultural relations under OBOR. Both countries have been actively promoting this initiative which puts China's relations with Asia, Africa and Europe into a new wider framework. Because of its geographical closeness to China, Cambodia has built strong economic and cultural relations with China. China is Cambodia's top foreign investor, largest donor, and an increasingly important trading partner. In the framework of OBOR, Cambodia will build further its economic relations with China. The Cambodian government would like to lure additional Chinese FDI and aids into the Southeast Asian country. It is expecting – among other things – to develop further the country's special economic zones, upgrade agriculture and increase agricultural exports, attract more Chinese tourists and increase external financing for infrastructure development (through newly established development banks and funds such as the Asian Infrastructure Investment Bank, the BRICS Development Bank, and the Silk Road Fund).

Unlike Cambodia, Hungary does not have such strong economic relations with China, but the ascendance of China in the world economy is also tangible in the CEE region, including Hungary. OBOR can help Hungary to realize the aims of its Eastern Opening policy, namely, the increase of Hungarian companies' exports to Asia (China) and attraction of FDIs from Asia, and, in addition, can offer external financing for infrastructural development. In the field of cultural relations, we can see that Confucius Institutes and classrooms had already been opened in both countries before the launch of OBOR. The 2013 Initiative is planned to further elevate the global projection of the Chinese culture. For example in 2016, a China Cultural Centre was inaugurated by Chinese President Xi Jinping and Cambodian Prime Minister Hun Sen in Phnom Penh. And, in 2017, according to the announcement of Hungarian Minister of Human Capacities, Zoltán Balogh, Hungary may open a China Cultural Centre in Budapest. Cambodia as well as Hungary has a Chinese diaspora which contributes to developing cultural relations with China.

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