The Success of Japanese Foreign Market Investments in Hungary

Botond Kálmán and Arnold Tóth

Abstract—This study examines the recent history and current state of a special area of Japanese-Hungarian economic relations, foreign direct investments (FDI) in Hungary. We reviewed the flow of Japanese capital into Hungary. Foreign direct capital investments can improve productivity on the one hand via technology transfer, and on the other hand, they may have further positive effects through corporate relationships, such as market access or improved financing conditions. Through these means, they strengthen economic growth. When analyzing the data on the historical development of Japanese investment, we showed that the automotive industry plays a dominant role. Based on our results, the influx of Japanese FDI into the Hungarian economy is mutually advantageous to both parties. The most important result for Hungary was economic growth and for Japan, the easier access to the EU markets. Japanese-Hungarian relations are not limited to economic cooperation, they are present in everyday life and continue to grow closer.

Index Terms—Economic growth, foreign direct investment, Hungary, Japanese companies.

I. INTRODUCTION

As a result of the economic development underway in Asian countries, we see an increase in the presence of Japanese, Chinese, and Korean companies on all the continents, thus in Europe as well. Their activities contribute to the economic development of the given country as well. The present study focuses on the investment of Japanese companies in Hungary. We are examining the relationship between foreign direct investments (FDI) and the Hungarian economic environment. Japan is the largest Asian investor in Hungary in 2020 [1]. In the 1990s, at the time of the regime change, Japanese companies were among the first to place their confidence in the developing Hungarian economy. The value of their investments and the level of their technology went a long way toward helping Hungary in establishing our advantage through knowledge-intensive, great value-added economic direction instead of inexpensive labor. When reviewing the professional literature on the topic, we determined that a portion of the data used by the authors is not necessarily comprehensive or up-to-date. By using fresh data, our study aims to fill in this research gap.

The relationship between Japan and Hungary dates back to the Austro-Hungarian Empire, all the way to 1869. The establishment of Soviet-Japanese diplomatic relations in 1956 enabled Hungarian foreign policy to do the same. The diplomatic relationship was made official in 1960 with embassies in both countries. After the Hungarian regime change, these relations extended to a wider variety of areas and became closer as well to which the large-scale Japan support received by Hungary was an important contributing factor [2]. In 1990, Hungarian president Árpád Göncz visited Japan for the imperial inauguration. Emperor Akihito paid his respects to Hungary in 2020. During the 1990s, the foreign ministers of the two countries met several times. The equal bilateral partnership was established, and the two nations cooperated in joint international projects.

Hungary had already begun structural reforms in 1995, thus, when compared to the other countries of the region, Japanese companies arrived here at a quicker pace. An increase in foreign trade was seen as well. Japan’s most important export products were electronic appliances, automobiles, and automobile components. Hungary mainly exports foodstuffs and chemical products. There has been a significant student exchange in place between the two countries since the middle of the 1960s. About fifteen students go to Japan from Hungary to study each year and based on the international agreement, Hungary maintains the Stipendium Hungaricum for one-hundred Japanese students per year. In 2014, the V4-Japan exchange year further strengthened bilateral relations between the countries. As a testament to this, Hungary and Japan signed an agreement on social security the same year. Another important tie between the two nations is the desire to mutually became acquainted with each other’s language and culture as evidenced by the increase in students choosing to learn the Japanese language (both BBS¹ and KRE² offer Japanese language courses). Furthermore, it is a fact that Japanese corporate HR applies an increasing number of European models in the interest of maintaining employees in the long run.

II. LITERATURE REVIEW

According to Ojo [3] foreign direct investment is an investment by which a multinational company exercises influence over 10% of the votes in the leadership of the host country’s subsidiary. Countries with transitional economies often look at the FDI as a savior and hope that it can function as the driver of economic growth. This is likely especially if the investments aid research and development (R & D), and innovation (I). The presence of FDI in the given host country is determined by the economic and political environment. The ratio of these factors varies depending on whether

---

¹ Budapest Business School University of Applied Sciences
² Károli Gáspár University of the Reformed Church in Hungary
analysts apply the politico-economic or the econo-political approach to the matter [4]. Economic-type models foremost analyze the values and trends of financial indices (GDP, balance of payments, deficit, inflation) to determine how attractive a given country is for investors. The politics-centric approach focuses on political stability and predictability, which is necessary for making dependable predictions. However, experts also take into account factors of economic policy as well, such as the tax system or unemployment rates. These theories play an important role in the implementation of a company’s foreign investment policy.

Some of the theories are critical of the role FDI plays in aiding economic growth. According to Herzer et al. [5], FDI is the main cause of inequality. According to the substitution hypothesis, FDI renders developing countries vulnerable to foreign investors [6]. However, mainstream theories support the positive effects of FDI. But the positive effects are not automatic, they are influenced by several factors, e.g.: the development of financial markets or the absorption capacity of the host country [7]. FDI serves as a catalyst for economic growth in countries where government policy supports foreign investors while simultaneously supporting domestic businesses [8].

When applying the Keynes Absorption Theory to FDI, it can be said that economic growth increases the demand for the importation of products and services. According to the complementary hypothesis an influx of FDI substitutes the lacking domestic savings and creates a resource for development and investment. Meyer and Shera [9] have also shown that the effect is more pronounced the greater the incoming capital is compared to the GDP. According to the classic familiarity theory [10] the foremost foreign investors to a given country will be from the neighboring states. FDI (foreign direct investment) from Asia is an increasingly determining factor in the world economy, Asian investments in the European Union have increased significantly in recent times [11].

Works that analyze the regional effects of FDI largely emphasize the positive effects of the incoming foreign working capital: an increase in employment, technological development, and productivity. When examining the regional factors of economic growth in Hungary, Lengyel–Varga [12] determined that the country’s GDP growth is aided foremost by foreign processing industry working capital.

Keho [13] differentiates between the two phases of FDI, with the first phase being the initial investment by which the investing company brings means of production, components, and the logistical background to the target country. The second phase is the operation of the investment. FDI often occurs in the production of substituent products, in these cases, the effect on import can be positive [14] and [15]. Such investments have an explicitly positive effect on domestic productivity [16]. Even though several FDI studies were carried out in connection with the region of Central-Eastern Europe [17]-[19], our work examines Japanese investment in Hungary and its environmental circumstances based on the freshest data.

III. DATA AND METHODES

Foreign investors invest in a given country if the country is attractive to them. Thus, it is important to know which factors make a country attractive. As the present study does not aim to uncover these factors, but instead to analyze them, we chose them based on completed research data. We used the results of Iwasaki and Tokunaga [20], as well as those of Günther and Kristalova [21]. In 2002 IBM-Plant Location International (PLI) [22] created the Global Location Trends database which collects, and processes data related to the international flow of working capital. We used these data for our analysis. We processed the investments coming from Japan to Hungary based on data published by the Hungarian Central Statistical Office.

IV. RESULTS

One of the clearest indicators of economic relations is foreign trade (Fig. 1). After the establishment of diplomatic relations, the two countries built trade contacts with each other as well. From the 1970s forward this was characterized by large-scale Japanese import, especially electronic and telecommunication products while Hungarian export remained low with chemical goods, foodstuffs, and aluminum being at forefront as export items.

Fig. 1. Export/Import of Japan to/from Hungary.

Fig. 2. Japanese companies in Hungary.
(Source: JETRO Budapest, 2019)

Today, foreign trade with Japan plays a role in the national export strategy drafted for 2019-2030 [23], one of its key points being the increase of export toward eastern markets among whom Japan is indicated as being a high-potential foreign trade partner. Another indicator of economic relations is the number and value of Japanese investments.
toward Hungary. Based on data from 2019, 170 Japanese-owned companies provide thirty-five thousand people with stable employment and livelihoods in Hungary. It must also be noted that Japan is the latest greenfield investor in Hungary today. Based on the data from Global Location Trends, already mentioned in the methodology, Hungary is Japan’s largest investment target country in Europe with investments mainly in automotive companies, but we have become an attractive target country in the area of R & D investments as well. The Japanese companies present in Hungary and the locations of their main establishments Fig. 2.

The Hungarian automotive industry is currently in the process of switching to Industry 4.0. Japanese companies’ high-level technology investments will again have an important role to play. The largest Japanese automotive supplier companies have been present on the Hungarian market for years and they continue to increase their presence.

These companies began to appear in Hungary in the 1980s. After the regime change, Hungary had to transition from a socialist plan-based economic structure to free-market capitalism. This transition was made more difficult by having little savings and the Soviet-type plan-based economic mechanism in place. Thus, the influx of foreign capital and the appearance of multinational companies was necessary both for economic growth and for restructuring [24]. Japanese capital acted as a catalyst toward economic growth. Apart from technology and know-how, local companies received managerial and marketing knowledge via these interactions. This aided the development of the economic role players’ market culture and institutions. Compared to other Central-Eastern European countries, Hungary was more attractive to investors. One of the reasons was geographical, as it was a direct neighbor of the European Union, the other was due to economic policy, that is, the intensive restructuring that had been carried out. However, it is important to emphasize that until the 2010s, one of the most attractive factors for foreigners was still the inexpensive labor. In the beginning, the majority of the capital influx made its way to privatization and thus into the national treasury, so its effect on the real economy was insignificant. Among these circumstances, Japanese invested capital was especially valuable, as the Japanese did not privatize, instead, they invested. They were the first to see that due to the political changes, they could expect a higher rate of capital return than previously thought. A further unique characteristic of Japanese FDI is that it created production units, independent plants, which are a part of the national economy.

They followed this type of investment policy even when the majority of the manufacturing companies settling in the country held a subordinate position in the international value chains and were in tight price competition with one another. The early appearance of Japan in Central Europe is seemingly at odds with the familiarity theory, but in reality these investors had been aiming to enter the EU market in the 1990s thus they chose countries that were less regulated but undergoing intensive economic restructuring due to the regime change as their places of investment. Individual governmental support contributed greatly to the settlement of new companies in the region as well as the extension of the life-cycle of existing production, service companies, and job creation. Since the early days, regional presence and distribution have been influenced by the following factors: the geographical location of the establishment, the economic development of the environment, the structure of the local economy, its accessibility; of the local factors, the size and structure of the market, the possibility for cooperation and the local societal capital [25].

Before the regime change, there were 8 joint ventures in Hungary. The first was Polifoam Kft (in English: Ploifoam Ltd.) established in 1984, and by the end of the 1980s Inter Musica, TBT International, and Minolta Hungary began their operation as joint ventures. After an act regulating foreign capital investments in Hungary had been passed in 1989, investments began developing at a rapid pace. The influx of capital first sparked growth via its short-term effects (investment, spillover effect, Keynesian multiplier). Today, the long-term effects are apparent as well, these are based on technology transfer, and influx of know-how, and management knowledge. As mentioned by Baily et al, the fact that government policy significantly supports the function of Hungarian businesses has enhanced the economy-boosting effects of Japanese working capital. This means that Hungary can enjoy the benefits of the influx of working capital similarly to countries with more developed economies, that is, the influx of foreign capital has a positive effect on growth despite the deficit in the balance of payments. Apart from Budapest, which has a concentration of highly developed service providers, R&D, and well-trained employees, this growth is also driven by rural manufacturing companies with a high concentration of FDI. Japanese companies have carved out a place for themselves in the Hungarian economy. They provide several Hungarian companies with continual supplier orders, and, as we see in the case of Suzuki, they hold a large share in Hungarian exports. They also employ Hungarian labor on a large scale [Table I].

<table>
<thead>
<tr>
<th>TABLE I: TRENDS OF EMPLOYEES BY JAPANESE COMPANIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>N° of Japanese companies</td>
</tr>
<tr>
<td>N° of local employees</td>
</tr>
<tr>
<td>N° of empĺ on from Japan</td>
</tr>
<tr>
<td>Perc. of empĺ from Japan</td>
</tr>
</tbody>
</table>

(Source: JETRO Budapest 2018)

The fact that after the 2008 crisis, the counties with manufacturing industry presence and a high concentration of FDI showed the most stable growth supports the significance of Japanese FDI. These areas went on to grow at an even higher rate after 2013. We can read in the history of one of the most well-known Japanese companies Magyar Suzuki Zrt. (in English: Hungarian Suzuki Corporate Ltd.) [26] that it was established...
in 1991 with a capital of 5.5 billion forints. It was founded by the Japanese company Suzuki, the Hungarian government, Itochu, and the World Bank. In the 1990s, the beginning of the integration of Hungary into western production networks thanks to the regime change allowed for an increase of intensive Japanese investments [27]. Suzuki Zrt. is one of the oldest companies on the Hungarian market. The Japanese parent company celebrated the one-hundredth anniversary of its foundation on March 15, 2020, and the Hungarian company will turn 30 in 2021. The company manufactured the first series of Japanese small automobiles in 1954 [28] and is present in this sector of the automotive industry to this day. Naturally, development and globalization have been carried out at Suzuki throughout the years and the process is ongoing. Apart from the automotive sector for which they are known, the company manufactures motorcycles and ship engines as well. The Esztergom plant has the third largest capacity in the world after the home plant and the one in India and is the only European factory of Suzuki Motor Corporation.

According to data published in the summer of 2019, in 2018 Magyar Suzuki Zrt sold 19,292 new cars in Hungary alone, 27% growth when compared with the previous year. With this performance, the company holds 14.12% of the Hungarian automotive industry market putting them in a market-leading position. As regards the international markets, Magyar Suzuki sold 171,885 vehicles in 123 countries in 2018, 95% of which were manufactured in the Esztergom plant. The Hungarian revenue for 2018 was 280.5 billion EUR, 65% of which came from the automobiles built in the Hungarian factory. 87% of the vehicles are manufactured for export [29]. This ratio was previously 92%, showing the increasing strength of the Hungarian market. From April 1, 2019, Magyar Suzuki became the parent company’s European supply center for components and accessories and the related IT development led to the creation of 80 new jobs in the Esztergom factory.

The value and trends of Japanese FDI inflow in Hungary in the past 20 years (Fig. 3). The increase in the trend is obvious and was continuous until 2008. Even the financial crisis of the time did not cause a long-term significant decrease. This is important because GDP-increasing investments can be founded on three basic resources: government financing, EU funding, and foreign working capital, the latter is the least dependent on the host country’s economic situation. This is why it is important for foreign investments to be as diverse as possible as regards the country of origin. Today in Hungary the influx of Asian working capital is increasingly significant, of which our oldest and largest-scale partner is Japan. The long-term increase of Japanese FDI is due to the establishment of the Hungarian subsidiaries of Japanese supplier companies catering to the automotive and electronic companies that settled here in the nineties. These companies applied a mainly export-oriented strategy aimed at the Western European markets. This may be the reason why the FDI data show that their investments saw an uptick directly before Hungary joined the European Union in 2004. Naturally, the 2008 economic crisis influenced Japanese working capital investments in Hungary as well. Large Japanese companies such as TDK in Rőtság, operating since 1997, closed their plants. Back in 1999, the company carried out a significant technological investment in the Rőtság factory [30]. This also contributed to the fact that although there was a 3% decrease in TDK’s European net sale in 2000, their operating profit grew by 20%. Citing Chinese competition, in 2002, the company relocated a portion of their capacity to Ukraine, but the Hungarian subsidiary was not closed, the 2006 annual report categorizes it as a dormant company [31]. However, today the company is back on the Hungarian market, an R & D + I investment for 1.031 billion forints was implemented in the Szombathely factory in 2019. Similarly to TDK, Sony closed its Hungarian electronic manufacturing plant and relocated to Malaysia. However, the company’s commercial sector still operates out of Hungary today with its headquarters in Budapest [32].

At the same time, a different solution was chosen by several already settled companies. In 2014 Denso became investor of the year after carrying out an investment of 29 billion forints toward the expansion of manufacturing capacity in the Székesfehérvár plant. With this, they have invested a total of 500 million euros since the founding of the company in 1997. Although all companies, including Denso, are profit-oriented, they have always been especially environmentally conscious during the course of their developments. As a result, in 2003, they won the Hungarian Environmental Protection Award and the European Union Environmental Protection Award in 2004. The company also takes care of its employees as evidenced by the 2017 public good report, which among other information, contained the fact that the company supported the maintenance of employee health and the improvement of their living circumstances [33]. The third possibility is the implementation of greenfield investments. This was the option Takata chose in November of 2013 when they began construction of the airbag and automotive safety plant in Miskolc for 9220 million JPY, that is 20 billion forints [34].

The attractiveness of Hungary to Asian capital is significant even on a Central-Eastern European level and the subsidiaries of Asian companies play a determining role in the Hungarian economy [17]. Between 2007 and 2018 there have been, on average, 158 Japanese companies present, but this number changes from year to year (min=151, max= 166) [35].

When reviewing the data (Table II), we see that over the past ten years no significant change has occurred in the sectoral distribution of Japanese companies in Hungary since 2008: almost a third of the companies are manufacturing companies, a third are commercial companies, and one fifth
operate in the service sector. However, a positive turn of events took place between 2012 and 2016 in regards to this composition: while the number of representative bodies with 1-2 employees decreased by 8 percent, a 7 percent growth was seen as regards processing industry/manufacturing companies [18]. However, we must note that the specific investor is not always the ultimate investor [19]. This is shown in Table III.

In light of the fact that some other foreign investors also have a Japanese background, the full Japanese-Hungarian FDI inflow is much higher than indicated by the direct statistics. This means that Hungary is attractive to Japanese investors.

We examined the drivers influencing the trend of FDI. The Japan External Trade Organization (JETRO) publishes its annual report on foreign direct investment by Japanese companies every year. Reports contain opinions and forecasts of Japanese managers working in affiliates. Data collected from surveys were used in our research. Firstly, we compared the Japanese managers’ view on the business environment. Moreover, we examined how perceptions of conditions changed between 2010 and 2018. Our results are summarized in Fig. 4. The main circumstances remain unchanged. At the same time, we can see a change in the proportion of importance. The most important difference is in the area of fluctuating exchange rate fluctuations. While in 2010 75% of managers considered this fluctuation to be a significant influencing circumstance, by 2018 only 24% thought the same. The other very important difference is closed to cheap labor force. One of the characteristics of any economy is the nature of the country’s competitive advantage. Most emerging economies primarily offer cheap labor force to foreign investors, as well as cost and tax reduction. However, the aim is to gain a knowledge-intensive and value-added competitive advantage above a certain level of economic development. Among the elements of the business environment framework, high labor costs and its significant growth rate had even less of an impact on investor decisions in 2010 than in 2018. This indicates that wage growth has also become significantly perceptible to Japanese investors in their investment decisions (Fig. 5).

This data also show that Japanese FDI represents not only a transfer of capital but also the development of technology and knowledge, as the inflow of Japanese FDI has been showing steady, stable growth rates since 2012 (Fig. 3). A possible explanation for this is that working with modern technical equipment arriving in the country no longer requires cheap labor force, but qualified skilled workers, and this knowledge must be paid for. This is indicated in Fig. 4 by the increasing importance of the Quality of workforce component between 2010 and 2018.

Among other factors that also increase the willingness to invest, we highlight the competencies that primarily belong to the role of Hungarian domestic suppliers. Due to this, for example, the role of shortage of domestic procurement sources in influencing FDI has decreased and the quality of parts and materials is no longer a problem. The government plays a leading role in creating an environment that is attractive to investors. The appropriate macro and micro economic environment must be implemented. This includes the proper infrastructure (public utilities, transportation, internet) as well as the appropriate political decisions (taxation, simple business establishment means, decreased bureaucracy). Based on investor opinions, we highlight that complicated administrative procedures no longer had a significant impact on investor decision-making in 2018. The negative impact of transfer price taxation has also decreased. The situation in the political environment as a whole has also changed in a positive direction. In 2018, fewer respondents

### Table II: Japanese Companies in Different Sectors of Hungarian Economy

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>53</td>
<td>52</td>
<td>47</td>
<td>46</td>
<td>44</td>
<td>43</td>
<td>46</td>
<td>46</td>
<td>47</td>
<td>47</td>
<td>51</td>
<td>53</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Sales</td>
<td>49</td>
<td>52</td>
<td>53</td>
<td>54</td>
<td>53</td>
<td>52</td>
<td>51</td>
<td>50</td>
<td>50</td>
<td>51</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Trading</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Finance</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Logistics</td>
<td>9</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Construction</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Service</td>
<td>39</td>
<td>39</td>
<td>40</td>
<td>36</td>
<td>38</td>
<td>38</td>
<td>36</td>
<td>33</td>
<td>33</td>
<td>32</td>
<td>33</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>165</td>
<td>167</td>
<td>165</td>
<td>161</td>
<td>159</td>
<td>156</td>
<td>156</td>
<td>151</td>
<td>152</td>
<td>154</td>
<td>156</td>
<td>160</td>
</tr>
</tbody>
</table>

(Source: JETRO Budapest, 2019)

### Table III: Direct and Ultimate Investors of Japanese Affiliations in Hungary

<table>
<thead>
<tr>
<th>Hungarian affiliate</th>
<th>Japanese owner</th>
<th>Ultimate investor’s country</th>
<th>Direct investor’s country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magyar Suzuki Zrt</td>
<td>Suzuki Motor Corp.</td>
<td>Japan</td>
<td>Japan (100%)</td>
</tr>
<tr>
<td></td>
<td>Toyo Seat Kft</td>
<td>Japan</td>
<td>Japan (100%)</td>
</tr>
<tr>
<td>Denso Magyarország Kft</td>
<td>Nippon Denso Co.</td>
<td>Japan</td>
<td>Netherland (100%)</td>
</tr>
<tr>
<td>Ibiden Hungary Kft</td>
<td>Ibiden Co. Ltd</td>
<td>Japan</td>
<td>Netherland (99%), Japan (1%)</td>
</tr>
<tr>
<td>Sanoh Magyar Ipari Gyárót Kft</td>
<td>Sanoh Internat. Co. Ltd</td>
<td>Japan</td>
<td>Japan (100%)</td>
</tr>
</tbody>
</table>

Fig. 5. Monthly gross wages per capita in Hungary (2010-2018).
(Source: HCSO, edited by authors)
ranked this as a problematic factor than in 2010. A new challenge, however, is the introduction of the new general data protection framework (GDPR). According to the respondents, the significance of this is relatively high in 2018. However, it is expected that the application of the necessary protocols will become automatic after a few years and the fulfillment of the conditions will no longer be a problem.

We also examined how Japanese managerial forecasts have changed over the past five years. We selected four areas from the JETRO survey questions and observed the trend of optimistic respondent ratio (Fig. 6).

![Fig. 6. Positive forecast ratio among Japanese managers.](Source: JETRO Annual Survey 2014-2018, edited by authors)

Based on this, confidence in local suppliers and business expansion has grown slowly but continually in recent years, but the share of favorable expectations for growth of operating profit and growth of domestic market has decreased significantly, by almost 60 percentage points. As the latter are important in business and investment decisions, we would predict a declining trend in FDI. However, according to Fig. 3, the reality is that the volume of investment from Japan is increasing. The explanation for this requires further detailed investigation due to the complexity and multicollinearity of the factors affecting FDI. Based on theoretical considerations, a possible explanation for this could be investment-friendly policy-making and Hungary’s appreciating role in the Central and Eastern European region.

Japanese companies in Hungary play a significant role in Hungarian external economic strategy. There are nearly 170 Japanese companies in Hungary today, with about 50 carrying out production activities. These are foremost automotive manufacturers and suppliers, but Japanese companies in the food industry and service sector also operate in Hungary. Japanese companies in Hungary provide stable livelihoods for thirty-five thousand people and thereby their families. The Hungarian Government has concluded strategic partnership contracts with six Japanese companies: Suzuki, Denso, Ibiden, Bridgestone, Alps Alpine, Toray [36].

The presence of Japanese companies in Hungary shows tendencies of expansion, albeit slowly. The nearly 10 Hungarian companies in Japan operate mainly in the IT area, but there are some in the food industry as well. Apart from FDI, the fluctuation of foreign trade shows that Hungary is a strategically significant partner for Japan. This is evidenced by export-import trends as well (Fig. 7).

![Fig. 7. Trends of Japanese export and import in Hungarian relation in.](Source: Japan Statistic Bureau)

V. Conclusion

In the Central-Eastern European countries, including Hungary, the restructuring of the economy followed a path of development based chiefly on FDI, this contributed to increased productivity and competitiveness. This region, due to its higher development level and close geographical proximity to Western European value chains/markets, became attractive to foreign working capital early on. Foreign capital, and characteristically an influx of Japanese capital for productive investments, are an integral part of Hungarian economic growth. The 2019 Global Location Trends report is proof of the success of the Hungarian development strategy. According to the data in the report, the 2018 investments created over nineteen-thousand jobs placing Hungary 16th on a global level, 7th in Europe, and based data per one-million residents, in 5th place on a global scale. We obtained the same results as regards the number of new jobs per one-million citizens, while in the category of export-oriented investments, Hungary was ranked fourth globally. These positive changes are likely to make Hungary even more attractive to Japanese investors in the future. The largest Japanese automotive suppliers are increasing their presence in the Hungarian market. Now that the Hungarian automotive industry is entering a new era, investments by high-tech Japanese companies will play a major role. This forward-looking change is also supported by the provisions signed by the Hungarian delegation during its visit to Tokyo in December 2019. Due to the unique and excellent mutual relationship Japan and Hungary actually co-operate in the fight against the modern plague of the 21st century. In May 2020 Hungary was selected as one of the first countries to get the Japanese medicine Avigan for the treatment of Covid-19 patients. A shipment of 12,200 Avigan pills – enough to treat 100 patients – arrived in Hungary and were sent to the research centre of the University of Pecs. There are close and friendly relations existing between Japan and the University through Japanese foundation “Hungarian Medical Universities”, Japan, represented by Mr Hideya Ishikura.

In 1990, when the previous economic system collapsed, Japanese companies were among the first to arrive in Hungary and aid in the modernization of the Hungarian economy. This special, friendly relationship has been maintained ever since and Hungary has always given Japanese companies the proper respect and the conditions necessary for cooperation.

Conflict of Interest

The authors declare no conflict of interest.
AUTHOR CONTRIBUTIONS

The tasks of the authors were divided in this work as follows: Arnold Tóth conducted the research, collecting and analyzing data, while Botond Kálmán collected background information from literature. Both authors interpreted the results and all authors had approved the final version.

REFERENCES


Copyright © 2021 by the authors. This is an open access article distributed under the Creative Commons Attribution License which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited (CC BY 4.0).

Botond Kálmán is a master’s student in law, who graduated in international business and economics from Budapest Metropolitan University and a BA in international business from Coventry University. He is currently finishing his MSc studies in financial management at International Business School. He is going to continue his studies at PhD level. His principal areas of interest are workplace stress, logistics, and the relationship of tertiary education and competiveness. His current research topic is international economic relationships.

Arnold Tóth graduated in both engineering management and economics in 2002. Thereafter, he taught at miscellaneous universities in Budapest. He prepared his PhD thesis on the financial returns of marketing communication at Corvinus University. He also flourished in practise as a controller, a market researcher and a consultant. He is an associate professor at Budapest Business School, and he works at the Hungarian Academy of Sciences.