The role of institutional and political factors in attracting Chinese and Russian multinationals to the Visegrad countries

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Abstract: *International business research is usually focused on various aspects of foreign direct investment (FDI) by non-European emerging-market multinational enterprises (EMNEs) without attention to non-traditional factors pulling them into host countries. The objective of this paper is to examine the investments of EMNEs from two source countries, China and Russia, within the Visegrad Four (V4) economies. Based on interviews and a qualitative document analysis, it explores the main characteristics of their investments into the V4, including host-country determinants by focusing on macroeconomic, institutional and political factors. The paper finds that these factors do influence EMNEs' investment practices, and that they correlate with the changing quality of political relations, but this influence needs to be assessed on a case-by-case basis.*

Keywords: ***emerging-market multinationals, China, Russia, Visegrad Four, outward foreign direct investment, institutional and political pull factors***

Introduction

In the 1990s, the transition of the Visegrad Four (V4) countries – Czechia, Hungary, Poland and Slovakia – from centrally planned to market economies resulted in increasing inflows of foreign direct investment (FDI) into the region (Sass & Szalavetz 2013; Szanyi 2020). During this period, the V4 went through a radical economic restructuring, largely induced by foreign capital. Multinational enterprises (MNEs) realised significant investment projects and established their own production networks. Investors, mainly from core European countries, were attracted by macroeconomic factors, including relatively low unit labour costs, market size, openness to trade and proximity (Szalavetz 2020). Institutional factors, such as the prospects for the V4 countries' economic integration with the EU, also increased FDI inflows into the region (Szanyi 2020). Besides this interest from Western Europe and the US, the past two decades have seen a clear increase in non-European emerging-market multinational enterprises' (EMNEs) investment in the V4 region (Szunomár 2020). Chinese investors started appearing after the new millennium, while Russian (Soviet) investors have long been present in the V4 region, yet their investment activity remained limited until the collapse of the communist regimes and the dissolution of the Soviet Union.

EMNEs offer an alternative source of investment to Western capital for the V4 countries. This may seem a win-win situation yet it is not: the V4 countries' individual receptiveness is not necessarily the same when it comes to Chinese or Russian investors. Although the V4 countries follow similar economic development paths, and their economic institutions and interests are likewise comparable, they seem to have different attitudes to FDI from authoritarian, non-democratic countries. This is likely one explanation for the uneven distribution of EMNEs' investment in the region.

The paper aims to identify the host-country determinants of Chinese and Russian FDI within the V4, with a focus on macroeconomic, institutional and political pull factors. Our hypothesis is that while macroeconomic factors remain important, specific institutional and political pull determinants are often even more decisive for Chinese and Russian investments in the V4. The contribution of this paper is that notwithstanding macroeconomic and institutional factors, political factors – i.e. the quality of political relations, political considerations of governments, alliance-building, etc. – play an important role in attracting (or deterring) emerging companies' investments to a certain country.

Empirically, we investigate the V4 region as a whole, but we pay special attention to the Hungarian case. This choice has to do with the transformation of Hungary into an interventionist 'accumulative state' (Scheiring 2020) or 'neo-patrimonial state' (Szelenyi & Csillag 2015). These concepts portray Hungary as a semi-developmental state that captures and redistributes assets through the elimination of checks and balances and the creation of patronage networks. In other words, Hungary behaves in some ways like China or Russia that may make the Hungarian market more attractive for Chinese and Russian MNEs. Consequently, the rationale behind Chinese and Russian investors choosing Hungary (rather than the rest of the V4) as a host or hub for several investment projects may not be purely economic or geographical but also political.

Our research covers the period before the 2022 Russian invasion of Ukraine. It, therefore, does not address the impacts of the war and subsequent sanctions policies as well as the emerging economic and energy crisis on Russian FDI flows in the V4 region. Macroeconomic, institutional and political pull factors are now shifting, and the new situation carries negative consequences for the Russian FDI.

The paper is structured as follows. Section 2 reviews those theoretical attempts that seek to identify the special features of EMNEs' behaviour. Section 3 briefly sketches the context and methods on which this paper is based. Section 4 examines the changing patterns of Chinese and Russian outward FDI (OFDI) in the V4 by showing the major trends, patterns and available data. Subsequently, Section 5 presents the host-country determinants of Russian and Chinese MNEs. Finally, the concluding section returns to the theoretical starting points outlined above and draws out the study's general implications.

Theorising the special features of emerging MNEs' behaviour in the V4

This paper is theoretically situated at the crossroads of studies on FDI and illiberal political regimes. It develops the linkages between these two literatures and argues that changes in domestic institutional settings, particularly the illiberal weakening of checks and balances, correlates with changes in FDI interest coming from third-country investors such as Russia and China. Much literature has investigated the role of location advantages, i.e. those pull factors that attract investment to certain countries. Other authors have written extensively about how variations in domestic political institutions correlate with FDI interest. The first part of the following discussion focuses on the traditional determinants of FDI inflows, while the second part considers the implications state capitalism may have for FDI.

Traditional determinants of FDI inflows

Pull motivations of EMNEs are often different from those of developed countries. For example, Hanemann (2013) identifies commercial reasons underlying most Chinese investments: the acquisition of rich-world brands and technology to increase competitiveness. Other industry-driven motives include the circumvention of transportation costs, trade barriers or intangible asset-seeking (Dunning & Lundan 2008; Ramamurti & Singh 2009). There are also firm-specific characteristics, such as the access and usage of state-of-the-art technology (Ramamurti 2012).

While some EMNEs focus on neighbouring regions, others target the global market, including developed countries. Within Europe, EMNEs seek to (1) present themselves as a European Union company, (2) make use of special features of these countries to expand their businesses within them as well as to other countries, and (3) take advantage of the favourable tax treatment policies available to foreign investors (Gubbi & Sular 2015). The direction and intensity of MNEs' FDI flows are determined by various factors, including size, performance or industry at the firm level (Terpstra & Yu 1988; Nachum & Zaheer 2005). For EMNEs, however, country-level characteristics may be more decisive (Schüler-Zhou et al. 2012), particularly in countries with autocratic regimes. As highlighted by Dunning (1998), at the country level, both home- and host-country characteristics determine the location decisions of MNEs. In this paper, we concentrate on exploring the host country-level driving forces.

Host-country determinants or pull factors are characteristics attracting FDI towards the host countries. These can be grouped into macroeconomic and institutional factors. Macroeconomic pull factors include access to markets, low factor costs and new opportunities for asset-seeking companies (such as acquiring brands, knowledge and distribution channels) and company-level relations. Institutional factors include international and regional investment and trade agreements, host-government policies, institutions such as government-related investment promotion agencies (IPAs), institutional stability (intellectual property rights protection, product safety standards), privatisation opportunities, the possibility of participating in public procurement processes and the role of local home-country diaspora (Makino et al. 2002; Buckley et al. 2007; Schüler-Zhou et al. 2012). We can further specify institutional factors by dividing them into two levels: the supranational and the national (McCaleb & Szunomár 2017).

With regard to the determinants of FDI inflows to the V4 countries, studies often mention the impact of institutional characteristics, such as forms of privatisation, capital market development, the rule of law and country risk. Although Bevan and Estrin (2004: 777) claim that institutional aspects were not a significant factor in investment decisions of foreign firms, Carstensen and Toubal (2004) argue that these aspects could explain uneven distribution of FDI across the V4 countries. Fabry and Zeghni (2010) posit that FDI agglomeration in transition countries may be due to institutional weaknesses like poor infrastructure, the lack of developed subcontractor networks, and unfavourable business environment, and less because of positive externalities resulting from spillovers, clusters and networks. Based on a study of 19 Latin American and 25 East European countries in the period 1989–2004, Campos and Kinoshita (2008) concluded that structural reforms, especially financial reforms and privatisation, had a strong positive impact on FDI inflows. Furthermore, Kawai (2006) found that by 2004 Japanese MNEs' investment in the V4 was motivated by relatively low labour and land costs, well-educated labour force necessary in manufacturing sectors, and access to rich EU markets.

Implications of state capitalism for FDI

There is a growing need to expand international business theory to take greater account of the political factors that operate through a country's institutions

(Child & Rodrigues 2005). Since the mid-2000s, there has been a sharp rise in state intervention in the economy and a general strengthening of states around the world (Bremmer 2008; Kurlantzick 2016). Scholars have turned their attention to the growing role of the state by applying the comparative capitalism and Varieties of Capitalism (VoC) frameworks to emerging markets as well as countries in Central and Eastern Europe (Bohle & Greskovits 2007, 2012; Sauvant 2008; Witt & Redding 2013; Nölke 2014; Nölke et al. 2019; Alami & Dixon 2020). Despite these efforts, little is known about how the various types of state capitalism and their different growth models influence the internationalisation of firms and the flow of FDI across borders. According to the VoC literature, the V4 countries represent a special variety of capitalism, the so-called dependent market economy (DME) type (Nölke & Vliegenthart 2009). This means that these countries have comparative advantages in the assembly and production of relatively complex and durable consumer goods, based on institutional complementarities between skilled yet cheap labour, the transfer of technological innovations within transnational enterprises, and the provision of capital via FDI (ibid.: 672).

Since the popularity of these countries increased in the 1990s' transition to democratic regimes, researchers suspected a link between the ability to attract capital and the quality of democracy. In Jensen's (2003) analysis, there is a strong causal relationship between democracy and FDI inflows, suggesting that democracies are better able to attract FDI than their authoritarian counterparts. Along with Jensen (2003), Harms and Ursprung (2002: 653) find that 'political and civil repression' is negatively correlated with FDI, foreign investors are thus responsive to the state and quality of governance in the host country, and are deterred if repression is more severe. Alesina and Dollar (2000) challenge this logic and argue that capital flows are influenced by property rights and the stability and reliability of the investment environment, rather than democracy itself. Hankla and Kuthy (2013) find a similarly positive relationship between autocracies and open trade policies, stating that economic openness (be it trade or FDI) can be key for the survival of a non-democratic regime. Indeed, autocratic regimes responded positively to the waves of capital liberalisation in the 1980s and 1990s, embracing the trend towards more openness considering their need for economic growth (Pond 2018). This indicates that these countries are likely to be just as bound by international agreements on protection of investment and intellectual property as their more democratic counterparts.

Illiberalism may also be a determinant of FDI attractiveness, but the relationship is not necessarily negative. Csaba (2021) discusses four distinct models of illiberal economic practices: the East Asian tigers, Russia, China and Hungary. Though this typology is specific to particular countries and regions, he claims that state involvement in the economy has been the rule rather than the exception in economic history broadly conceived. When it comes to Hungary, Csaba emphasises the model's defining feature in terms of 'governmental decisions on investments, regulations and details of conduct of economic activities' (ibid.: 684). The model is thus about a particular logic of making decisions – secret ones, often hastily, and considering the potentially non-economic interests of the government – that is definitive about Hungarian illiberalism in the economic sphere.

Exceptionally within the V4, the quality of liberal democracy in Hungary started declining in the 2010s, and the tendency seems to continue to this very day (Innes 2015; Buzogány 2017; Wilkin 2018). Interestingly, this has not negatively affected or undermined Hungary's integration into global production chains. Instead, there is a 'dual treatment' of foreign firms by the central dispensation of advantages and favours (Szanyi 2019: 122): some multinational companies have been forced out of the country or seen their businesses suffer, yet many others are encouraged to stay and to expand their activities. Chinese and Russian investors typically fall into the latter category.

Finally, there is an emerging rhetoric of threat in the West targeting EMNE investments originating from countries such as China and Russia. These investments are often deemed harmful in terms of acquisition intent (Das 2021), opportunistic because they target financially exposed companies during a crisis (Neely & Carmichael 2021), shady as their ownership chains are hidden and difficult to disentangle, or predatory in terms of conducting industrial espionage or realising illegal technology transfers (Hannas et al. 2013). Besides the investor's identity and the nature of the investment, recent shocks such as the COVID-19 pandemic and Russia's war in Ukraine have fuelled a concern with EMNEs and the possible political control their home governments may exercise over them. These developments further demonstrate the relevance and timeliness of our research, and though we pay attention to political factors driving EMNEs' interest, the paper is not focused on empirically investigating these allegations in the cases of Chinese and Russian FDI in the V4 countries. We likewise acknowledge that state and corporate actors are often intertwined, including in our source countries of China and Russia, and that this intertwinement exerts an important influence on FDI dynamics. However, we did not conduct our research with such a focus in mind, and thus we simply flag it as a possible research direction for future studies to take up.

Methodology

Since FDI inflows from ENMEs into European peripheries is a relatively novel phenomenon, the literature addressing it is limited and based mostly on secondary sources. Our methodological approach comprises a mix of qualitative interpretative methods, such as ethnographic fieldwork, (elite) interviewing and qualitative document analysis, as well as secondary analysis of relevant statistics. Data were collected over five years between 2017 and 2021. Fieldwork and interviews were conducted with representatives of various EMNEs' affiliates in the V4: the authors conducted personal interviews at four companies. Where official interviews were not applicable, the authors spoke to former employees, business professionals, experts and academics from the V4. The interviews were conducted anonymously, and all interviewees were guaranteed confidentiality. The interviews were semi-structured and analysed based on extensive notetaking during and after the interviews.

Relying on interviews has both pros and cons. One advantage is that detailed information is available of an analysed area and of its development over time. At the same time, a drawback of this methodology is the relatively small number of companies willing to be interviewed for this study. Since our sample is limited, the generalisability of our findings is questionable. To complement our argument, we relied on qualitative document analysis of governmental (policy) reports, news pieces, corporate publications (e.g. annual reports) and corporate databases (such as Bureau van Dijk's Orbis). This is meant to ensure a broader understanding of target companies' corporate identity, internationalisation strategy and the host countries' institutional and societal contexts.

These nuanced data are complemented by further input from secondary analysis of aggregate official FDI statistics. In assessing these data, we take into account that the geographical composition of Chinese and Russian OFDI is distorted due to Chinese and Russian companies' preference to invest through third countries, largely de jure or de facto tax havens and offshore centres (Panibratov 2017: 43; Clayton et al. 2023). These countries intermediate Chinese and Russian FDI either by trans-shipping it to the final foreign destination or round-tripping it back to the home country. Over time, this statistical distortion is becoming less of an issue thanks to statistical reporting not only on the immediate (first) partner country but also on the ultimate beneficiary. The national institutions responsible for collecting official OFDI data in China and Russia – China's Ministry of Commerce (MOFCOM) and the Central Bank of Russia (CBR) – do not report these statistics on an ultimate basis.[1] We obtain such data from the OECD, which gathers data from the V4 national central banks. Data according to the ultimate investor are available for Czechia, Hungary and Poland, but not for Slovakia, which publishes data only based on the immediate partner country.[2] These data can be compared with the MOFCOM and CBR statistics.[3]

1 The CBR publishes its OFDI data on the basis of both the asset/liability principle and the directional principle, the latter being the new standard, while the MOFCOM uses the directional principle.

2 Ultimate FDI data are given for the period 2013–2021, except for Hungary where data for 2013 and 2021 are missing (OECD 2023). The Hungarian central bank (MNB) provided us with data for 2021 via email (18 December 2023). In this paper, we present data with special purpose entities (SPEs) – resident firms of non-resident owners taking advantage of host-country regulations (Tables 1 and 3).

3 Even following the same principle of FDI presentation, the difference between home- and host-country statistics is obvious, as the methodologies for calculating inward FDI (IFDI) and OFDI are different, and the statistical offices also have varying success rates in collecting the necessary data.

Regarding the research design, we first collected information on Chinese and Russian MNEs' investments all over the V4 region. Then, we narrowed the focus to host-country determinants, with a special focus on Hungary to illustrate the role of political pull factors in more detail. We chose to zoom in on Hungary for two reasons. It is a major host of both Chinese and Russian FDI in the V4 by ultimate investor based on latest OECD statistics, and it has an interventionist and authoritarian regime in some way similar to that of Russia and China. The potential theoretical import of Hungary as a case is precisely to explain both the continued interest of particular FDI source countries like China and Russia, and Hungary's domestic institutional conditions that have changed for the worse in terms of stability and predictability since 2010. In the case of emerging-market multinationals, many of which matured and socialised in authoritarian contexts, democratic backsliding is the norm rather than the exception. Not only that, but the heavy-handed, interventionist practices they see in countries like Hungary are familiar and thus do not serve as deterrents against FDI. The focus on Hungary as an empirical case helps illustrate these theoretical connections more broadly.

The characteristics of Chinese and Russian OFDI in the V4

Chinese OFDI

Although China considers the broader CEE[4] as a bloc, some countries seem to be more popular investment destinations than others. Indeed, Chinese FDI is far from balanced across CEE countries: the V4 hosts more than 75% of the total Chinese OFDI to the CEE region. The majority of other CEE countries has not attracted significant amounts of Chinese FDI flows so far, despite slight increases in many cases.

Hungary, Czechia and Poland have received the bulk of Chinese investment since the early 2000s, with Slovakia lagging behind due to their small size and lack of efficient transport infrastructure. Within the CEE region, in per-capita terms, Hungary is the most important host country of Chinese FDI for stock and flow data. Chinese FDI stock in the V4 countries has steadily increased, particularly after their accession to the EU in 2004 and the economic and financial crisis of 2008.

MOFCOM statistics do not capture the real level of Chinese investment in Central and Eastern Europe. For example, according to MOFCOM data, total Chinese FDI in 17 CEE countries amounted to USD 2.84 billion in 2019 (MOF-

4 The post-communist CEE region consists of 17 economies: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Hungary, Croatia, Kosovo, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia. China and Russia do not recognise Kosovo as an independent state.

COM 2020), while OECD's ultimate investor statistics show that Hungary alone accounted for roughly the same amount of Chinese capital stock in that year. By 2021, the amount of Chinese investments in Hungary reached USD 4.0 billion according to data from the MNB (email information from the MNB, 18 December 2023) (Table 1).[5] Based on OECD statistics, Chinese FDI flows to the CEE region are relatively hectic (OECD 2023). This has to do with the handful of big business deals that are closed in a year. Divestments are less characteristic for most of the analysed countries. One exception is CEFC China Energy, which chose to divest from Czechia in 2018.

China's economic impact on the V4 countries remains relatively small. Chinese investments are dwarfed by German MNEs' investments into these countries. When calculating percentage shares, we find that Chinese FDI stocks are below 1% of total IFDI stocks in the V4 countries (Table 1). As a result, China's share of total FDI in the V4 is still far from significant: in the past years it has been around or below 0.5% for Czechia, Slovakia and Poland, and around or a bit above 1% for Hungary. By contrast, West European investors are responsible for more than 60–70% of total FDI stocks. Even among non-

Table 1: Chinese FDI stock in the V4 in absolute terms and as a percentage of total IFDI stock, 2013–2021 (million USD and per cent)*

		2013		2014		2015		2016	
		I	U	I	U	I	U	I	U
Czechia	M USD	–9	136	–13	204	268	371	665	794
	%	–	0.1	–	0.2	0.2	0.3	0.5	0.7
Hungary	M USD	93	..	86	1 268	99	1 952	176	1 934
	%	0.0	–	0.0	0.6	0.0	1.0	0.1	0.8
Poland	M USD	110	641	179	502	218	928	177	707
	%	0.0	0.3	0.1	0.2	0.1	0.5	0.1	0.4
Slovakia	M USD	35	..	38	..	15	..	27	..
	%	0.1	–	0.1	–	0.0	–	0.1	–

		2017		2018		2019		2020		2021	
		I	U	I	U	I	U	I	U	I	U
Czechia	M USD	691	1 101	687	1 012	705	1 501	204	770	127	760
	%	0.4	0.7	0.4	0.6	0.4	0.9	0.1	0.4	0.1	0.4
Hungary	M USD	212	1 989	60	2 636	–54	2 790	240	3 484	978	3 983[a]
	%	0.1	0.8	0.0	1.5	–	1.2	0.1	1.0	0.3	1.0
Poland	M USD	230	848	318	935	205	1 223	310	1 418	847	1 556
	%	0.1	0.4	0.1	0.4	0.1	0.5	0.1	0.6	0.3	0.6
Slovakia	M USD	36	..	25	..	41	..	16	..	60	..
	%	0.1	–	0.0	–	0.1	–	0.0	–	0.1	–

* With SPEs. [a] Email information from the MNB (18 December 2023).
I = immediate; U = ultimate; .. = not available; – = not applicable
Source: OECD (2023)

5 As mentioned above, this 2021 data is missing in the OECD database.

-European investors, companies from the United States, Japan and South Korea are typically more important players than those from China.

As presented in Table 2, Chinese investors tend to target secondary and tertiary sectors of the V4 countries. Initially, Chinese investment flowed mostly into manufacturing (assembly), but over time, services have attracted more and more investment. For example, Hungary and Poland have branches of the Bank of China and the Industrial and Commercial Bank of China. In addition, some of the largest law firms, such as Yingke Law Firm (established in Hungary in 2010 and in Poland in 2012) and Dacheng Law Offices (established in Poland in 2011 and in Hungary in 2012), also have offices in these countries. The main Chinese investors targeting the V4 countries are primarily interested in telecommunication (such as Huawei and ZTE), electronics (such as Lenovo, Joyson and Hikvision), chemicals (such as Wanhua, BBCA and Syngenta), and automotive/transportation (such as BYD, Yanfeng and recently also CATL).

Table 2: Characteristics of major Chinese investment in the V4

	Hungary	Poland	Czechia	Slovakia
Entry mode	Greenfield/ brownfield, M & A, joint ventures	Greenfield and M & A	Greenfield and M & A	Greenfield and M & A
Main sectors	Chemical, IT/ ICT, electronics, wholesale and retail, automotive, banking, hotels and catering, logistics, real estate	IT/ICT, electronics, heavy machinery, publishing and printing, real estate, municipal waste processing	Electronics, IT/ICT, transport equipment, automotive, shipping, engineering, food, media, plate-making	automotive industry, IT/ICT
Most important Chinese companies	Wanhua, Huawei, ZTE, Lenovo, Sevenstar Electronics, BYD Electronics, ZMJ, Comlink, Yanfeng, China–CEE Fund	Liu Gong Machinery, Huawei, ZTE, Haoneng Packaging, Shanxi Yuncheng Plate-making Group, Sino Frontier Properties, China Everbright International	Shanxi Yuncheng, Changhong, SaarGummi, Noark, Huawei, ZTE, Shanghai Maling, COSCO, YAPP, CEFC, Buzuluk Komarov, China CNR	SaarGummi, ZVL Auto, Inalfa Roof Systems, Mesnac, Lenovo, Huawei

Source: Own compilation based on interviews, data from Orbis, and corporate publications

The main entry modes of, and sectors targeted by, Chinese investment are similar in all V4 countries, though these are more diverse in Hungary and Poland. Both privately-owned and state-owned enterprises are present, but Chinese companies investing here tend to fall into the former category. Although the main entry mode used to be greenfield in the first wave of Chinese investors, mergers and acquisitions (M & A) became more frequent later on, especially after the 2008 global economic and financial crisis. However, the V4 countries are home to just a small number of successful, globally competitive companies in the region, which explains the drop in M & As in recent years. Another reason is the motivation of Chinese companies to gain access to brands and new technologies and to discover market niches to fill on the European markets since 2008. Chinese greenfield projects have also targeted less developed regions of Europe with lower factor costs. The V4 region loses out in this competition. Not only does it offer few M & A deals, it is less attractive than the Balkans for hosting greenfield projects. Nevertheless, the V4 region remains a key location for Chinese multinationals, as it is valuable as a manufacturing or logistics base, and the rise of electric vehicle production could also boost greenfield investments into the region.

Russian OFDI

The investment activity of Russian (Soviet) companies in the V4 region remained limited until the collapse of the communist regimes and the dissolution of the Soviet Union. In the mid-1980s, only a few joint enterprises operated in the non-Soviet states of the Council for Mutual Economic Assistance. Their number jumped, however, as foreign-trade rights expanded in the Soviet Union under Gorbachev's Perestroika and joint-venture legislation was improved in Eastern Europe (Liuhto 2001: 36).

Western sanctions have strongly impacted Russian OFDI activity since 2014, forcing asset sales in the US, the EU and Ukraine (Kuznetsov 2021). Although its share had decreased, Europe's leading role in Russian OFDI had remained unchallenged before the 2022 Russian invasion of Ukraine.

The CBR's directional statistics show that the CEE region accounted for 3.5% of the Russian OFDI stock at the end of 2021, while this share was only 0.8% for the V4 countries. Therefore, in contrast to the Chinese case, the share of the V4 in Russian FDI stock in CEE amounted to only 22.2% at the end of 2021. This is relatively low compared to non-EU CEE countries, which contributed 32.8% of the Russian FDI stock in CEE16 (i.e. CEE minus Kosovo) (CBR 2023). In addition, a significant part of the Russian FDI had already been present in CEE prior to these countries' accession to the EU in 2004, 2007 and 2013. This does not mean that the benefits of operating in the EU is unimportant to Russian investors, but in many cases the types of investment targets differ from those of the Chinese. Russian companies also began to expand abroad earlier and, in doing so, they took advantage of privatisation opportunities in CEE.

CBR data suggest that Czechia hosted the largest Russian FDI stock at the end of 2021, dwarfing that of the other three V4 countries combined (CBR 2023). Mirror statistics help obtain a more accurate picture of Russian presence in the V4, even if individual company data are still necessary to get the whole picture. Presented on an immediate investor basis, statistics from central banks in Czechia and Poland – using the OECD database – indicate lower figures for

2021 than the CBR data (in Czechia and Poland, roughly half the size of the CBR data). In contrast, the Hungarian national figure is much larger than that of the CBR, while the Slovak national data contain negative values. As indicated, data according to the ultimate investor are also available in Czechia, Hungary and Poland. While these data for 2021 suggest higher values in Hungary and Poland, the Czech ultimate investor figure is somewhat lower than that based on an immediate basis. These ultimate investor data put Hungary in the first place between 2018 and 2021. Not only is the share of the V4 in Russian OFDI stock small, but the role of Russian FDI in the V4 is also very limited. However, low shares do not automatically imply that these FDI relations are irrelevant. Just like in the Chinese case, there are Russian investments in the region that are important for both sides.

Table 3: Russian FDI stock in the V4 in absolute terms and as a percentage of total IFDI stock, 2013–2021 (million USD and per cent)*

		2013		2014		2015		2016	
		I	U	I	U	I	U	I	U
Czechia	M USD	570	634	690	716	715	657	752	800
	%	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.7
Hungary	M USD	181	..	238	515	216	468	292	644
	%	0.1	–	0.1	0.2	0.1	0.2	0.1	0.3
Poland	M USD	358	1 713	434	1 417	403	1 048	323	841
	%	0.2	0.8	0.2	0.7	0.2	0.6	0.2	0.4
Slovakia	M USD	–389	..	–375	..	–183	..	–225	..
	%	–	–	–	–	–	–	–	–

		2017		2018		2019		2020		2021	
		I	U	I	U	I	U	I	U	I	U
Czechia	M USD	742	956	799	793	1 016	862	1 163	1 086	1 165	1 071
	%	0.5	0.6	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.5
Hungary	M USD	542	859	750	1 025	961	1 204	835	1 113	978	1 206[a]
	%	0.2	0.3	0.4	0.6	0.4	0.5	0.2	0.3	0.3	0.3
Poland	M USD	443	991	472	775	239	802	293	1 099	250	519
	%	0.2	0.4	0.2	0.3	0.1	0.3	0.1	0.5	0.1	0.2
Slovakia	M USD	–244	..	–191	..	–226	..	–161	..	–177	..
	%	–	–	–	–	–	–	–	–	–	–

* With SPEs. [a] Email information from the MNB (18 December 2023).
I = immediate; U = ultimate; .. = not available; – = not applicable
Source: OECD (2023)

By the end of 2009 and 2010, Hungary enjoyed a leading position in CEE in terms of attracting Russian FDI. This proved to be a temporary uptick because it was due to a single item, the acquisition of shares in the Hungarian oil and gas company Mol by Surgutneftegaz, Russia's third-largest oil producer. Because of local resistance to the takeover, Surgutneftegaz sold the stake to the Hungarian government in 2011 (Panibratov 2017: 43). This example demonstrates that

Russian FDI stock, much like the Chinese, is largely determined by a few transactions in the V4. Typically, because only companies above a certain threshold are screened, a small number of target companies are involved in the official national statistics.[6] Interestingly, several Russian-owned companies appear in official FDI statistics in Hungary that are owned by Russian individuals and not Russian companies. On the other hand, in contrast to the Chinese case, divestment is regular among Russian investors in the V4 due to failed businesses or other reasons. For example, Lukoil sold its petrol stations in the V4 in the mid-2010s, and Sberbank agreed in 2021 – thus before the sanctions-related insolvency of its European arm in 2022 – to sell its remaining units in CEE except for the Czech unit. In one case, a Russian owner even disposed of its troubled company in the V4 to another Russian investor. Russian heavy industry and manufacturing conglomerate OMZ sold the Czech Pilsen Steel to the Russian-owned United Group in 2010. The Czech company was subsequently acquired by the German Max Aicher in 2020. As a result of the 2022 war in Ukraine and the sanctions, Russia has started to divest from some of its V4 assets.

Except for some investments in the primary sector, Russian FDI has been channelled into the manufacturing and services sectors (Table 4). A known example of an (unsuccessful) operation in the primary sector was the activity of Gazprom Neft. The state-controlled gas giant Gazprom's oil arm and Russia's fourth-largest crude producer was in Hungary via Serbia's NIS oil company, the majority of which is owned by Gazprom Neft. Overall, Russian natural-resourced-based giants face poor prospects for access to raw materials in the V4. Russian FDI has been made in a wide variety of industries in the V4. In addition to hydrocarbons, iron/steel and machinery, these include banking, software and information technology, engineering, electronic production, real estate, logistics/transportation, agriculture, the light industry and others. Besides, Russians have established a palpable presence in real estate in the famous Karlovy Vary spa resort in Czechia and the spa city of Hévíz in Hungary.

Among the large projects, acquisition is the main entry mode, though greenfield investments have also taken place (Table 4). An early example for the latter is the construction of the Polish section of the Yamal–Europe gas pipeline commissioned in 1999, which runs from Russia to Germany across Belarus and Poland. Russian participation in acquisitions through privatisation was uncommon in the V4 in the 1990s but was still possible in the 2000s during the golden age of the Russian MNEs. However, the Russians, like the Chinese, had fewer opportunities for acquisitions even before Russia's 2022 invasion of Ukraine and the subsequent imposition of sanctions, but this is less relevant because both acquisitions and greenfield projects have become extremely difficult to manage in the new situation.

6 However, this does not cause much distortion in statistical terms.

Table 4: Characteristics of major Russian investment in the V4*

	Hungary	Poland	Czechia	Slovakia
Entry mode	M & A, joint ventures, greenfield	Joint venture, greenfield, M & A	M & A, joint ventures, greenfield	M & A, joint venture, greenfield
Main industry/ activity	Natural gas sales, banking, metallurgy, energetics machinery, nuclear power plant construction, logistics and transportation, railway machine-building, commercial television broadcasting services, fertilizer production and sales	Natural gas transmission, liquefied petroleum gas and liquefied natural gas sales, coal sales, fertilizer sales, electricity trading, pipe production, steel distribution, sales of roofing, waterproofing, and thermal insulation materials as well as mineral wool production, software, IT, engineering	Gas and electricity sales, natural gas storage, ferrovanadium production, nuclear power industry (technology supply, engineering, and equipment modernisation), valves manufacturing, aircraft manufacturing, software and electronic production, workwear manufacturing, banking, processing of secondary materials containing precious metals, accommodation and catering, real estate operations, production of flexible packaging, accounting services, sales of roofing, waterproofing, and thermal insulation materials, plastic casing production, industrial seal manufacturing, metallurgical products sales, water turbine production, frozen fish wholesales	Gas and electricity sales, helicopter services, power plant construction, production of transformers, paint, coating, and adhesive manufacturing
Most important Russian companies	Gazprom, Sberbank, Vnesheconombank, Atomenergomash (Rosatom), Atomstroyexport (Rosatom), Russian Railways RZD, Transmashholding, NTV, EuroChem	Gazprom, Novatek, Kuzbasskaya Toplivnaya Company – KTK, Siberian Coal Energy Company – SUEK, PhosAgro, Inter RAO UES, Severstal, Technonicol, Kaspersky, Ekoton	Gazprom, Evraz, OMZ (Gazprombank), Atomenergomash (Rosatom), Komplektenergo, ChelPipe (TMK), Ural Mining and Metallurgical Company – UMMC, NVision (Sistema), Vostok-Service, Sberbank, Globalnoe Razvitie (Best Kompani), Svyazinvestneftekhim, Ekspotsentr, Intourist (Sistema), Avtovaz, Danaflex, Lukoil, Technonicol, Agrokom, Temac, Mechel, Tyazhmash, Nakhodka Active Marine Base	Gazprom, UTair, OMZ (Gazprombank), Rosenergotrans, Ekopol

* The table reflects the situation in 2021. Since then, several Russian companies have decided to divest from companies in the four countries surveyed.
Source: Own compilation based on interviews, data from Orbis, and corporate publication

Host-country (pull) determinants of Russian and Chinese MNEs in the V4

Chinese MNEs

The labour market is a key macroeconomic pull factor making the V4 countries a favourable investment destination for Chinese investors. A skilled labour force is available in sectors for which Chinese interest is growing, with labour costs being lower than the EU average. Similarly, corporate taxes can also play a role in the decision of Chinese companies to invest in the region. Nevertheless, a skilled labour force and corporate taxes are pull determinants in theory, but the practice of Chinese investment shows a messier picture. After all, there is more investment from China in the V4 countries (especially in Czechia, Hungary and Poland) than in Romania or Bulgaria where labour costs and taxes are lower. This can be explained by the theory of agglomeration (Venables 1996) as total IFDI in the V4 is the highest in the broader Central and East European region.

Although the above-mentioned efficiency-seeking motives play a role, the main type of Chinese FDI in the V4 countries seems to be market-seeking investment. By entering these markets, Chinese companies have access to the whole EU market. Moreover, they might also be attracted by Free Trade Agreements between the EU and third countries and by the EU policies related to neighbouring countries. This is a reasonable driver as their V4 subsidiaries are meant to sell products in the V4 host countries, other EU member states and outside Europe, such as Northern America (Wiśniewski 2012: 121). Based on the interview results, Chinese companies wanted to operate in the V4 due to their already existing businesses in Western Europe and to strengthen their presence in the wider European market. Moreover, through their V4 subsidiaries, Chinese firms can participate in public procurements and access EU funds or, by investing in the V4 food industry, they can export EU-certified agricultural products to China and, by doing so, to improve food safety in the country. In addition, there are also cases of Chinese companies following their customers to the V4 region.

As for supranational institutional factors (Table 5), the change in the V4 countries' institutional setting due to their economic integration into the EU has been an important driver of Chinese OFDI in the region, especially in the manufacturing sector. The 2004 EU membership of the V4 allowed Chinese investors to avoid trade barriers, and the V4 could serve as an assembly base for Chinese companies. The second wave of Chinese FDI in the V4 dates back to the global economic and financial crisis, when financially distressed companies all over Europe, including the V4, were often acquired by Chinese companies.

Another aspect of EU membership that has induced Chinese investment in the V4 countries was institutional stability (including, e.g. the protection

Table 5: Major characteristics of analysed Chinese companies in the V4

Macroeconomic pull factors	Institutional pull factors	
	Supranational	National
Market access	International and regional investment and trade agreements, free trade agreements	Host-government policies (including strategic partnership agreements between the government and certain companies)
Low factor costs (resources, materials, labour)	Advanced institutional setting, institutional stability (such as intellectual property rights protection)	Tax incentives, special economic zones
Qualification of labour force	European production and services standards (such as product safety standards)	'Golden visa' programmes (residence visa for a certain amount of investment)
Various opportunities for asset-seeking companies: brands, know-how, knowledge, networks, distribution channels, access to global value chains, etc.	Chance for participation at EU-level public procurement processes	Institutions such as banks, government-related investment promotion agencies (IPAs)
Company-level relations	–	Possibility for more acquisitions through privatisation opportunities
The high level of technology	–	Home-country diaspora in the host country

Source: Own compilation based on the reviewed literature and company interviews

of property rights). The importance of this aspect is clear given the unstable institutional, economic and political environment in their home country. These findings are in line with those of Clegg and Voss (2012: 101) who argue that Chinese FDI in the EU shows 'an institutional arbitrage strategy' as 'Chinese firms invest in localities that offer clearer, more transparent and stable institutional environments'. Such environments, like the EU, offer greater planning and property rights security, as well as dedicated professional services that can support business development.

National-level institutional factors include, for example, strategic agreements, tax incentives and privatisation opportunities. Based on responses from interviewees, Chinese companies indeed appreciate business agreements supported by the respective host-country government. Thus, the high-level strategic agreements signed by the Hungarian government with foreign companies investing in Hungary, or the special economic zones created by the Polish state could have also spurred Chinese investment in the region. Moreover, personal (political) contacts between representatives of the respective host-country government and Chinese companies have also proved to be important when choosing a host country in the V4 region.

Based on interviews, we also found other factors, such as the size and feedback of the Chinese ethnic minority in the host country, or possibilities of acquiring visa and permanent residence permits. This is in line with numerous studies (e.g. Hijzen et al. 2008; Blonigen & Piger 2014) showing that companies interested in acquiring foreign assets are motivated by a common culture and language as well as trade costs. This correlation is evident in the Hungarian case, a country with both the highest stock of Chinese FDI and the largest Chinese diaspora in the region. Between 2013 and 2017, Hungary even offered a special 'golden visa' programme, which enabled foreign investors to acquire a residence visa in exchange for investing a certain amount of money.

In addition to the above-mentioned supranational- and national-level institutional pull factors, political relations are also consequential for the intensity of FDI interest from China. Hungary, for example, is strongly committed to China. Regardless of political orientation, Hungarian governments have been developing relations with China for over two decades. Hungary launched the 'Eastern opening' policy in 2012 meant to diversify foreign economic relations. Although Prime Minister Orbán's government, which has been in power since 2010, has emphasised that it would like to maintain Hungary's strong and important economic relations with its traditional Western partners, the main objective of this policy has been to reduce Hungary's economic dependence on trade and investment with the West by improving economic relations with the East, particularly China.

Besides promoting economic relations with China, Hungarian governments have been rhetorically supporting China over many sensitive issues. Hungary was the first European country to sign a memorandum of understanding with China on promoting the Belt and Road Initiative (BRI) during the visit of China's foreign minister Wang Yi to Budapest in 2015. The Hungarian government was also very keen on promoting the Budapest–Belgrade railway, a construction project under the BRI umbrella. When signing the construction agreement in 2014, Prime Minister Orbán called it the most important moment for the cooperation between the EU and China (Keszthelyi 2014).

In addition to supporting China's infrastructural endeavours, Hungary (and Greece) prevented the EU from backing a court ruling in 2016 against China's expansive territorial claims in the South China Sea (The Economist 2018). In 2018, Hungary's ambassador to the EU was alone in not signing a report criticising the BRI for benefitting Chinese companies and Chinese interests, and for undermining principles of free trade through its lack of transparency in procurement (Sweet 2018). Hungary is also the only EU country so far to have officially chosen Huawei to build its 5G network (Reuters 2019). The gesture has worked out well and a long-awaited wish of the Hungarian government has come true since Huawei has recently established an R & D centre in Hungary (Horváth 2020). After the COVID outbreak, Hungary not only praised Chinese support in supplying medical equipment but was the first in Europe in approving the Chinese Sinopharm vaccine to speed up vaccination in the country.

In contrast, Czechia has a rather critical relationship towards China, and has criticised China over many issues, such as human rights or Tibet. Starting from this cold stance, in the mid-2010s, Czechia's relationship with China began to warm for a few years as the Chinese leadership found common ground with Czech President Miloš Zeman. As our expert interviews confirmed, after Czech 'political sympathy' emerged, inflows of Chinese FDI to Czechia started to increase, too. As a case in point, President Zeman, the only high-level European politician visiting the 2015 Chinese celebrations of the end of World War II, declared that he wanted his country to be China's 'unsinkable aircraft-carrier' in Europe (The Economist 2018). Zeman also had a Chinese adviser on China coming directly from a Chinese company with a controversial background. However, as soon as the biggest Chinese investor to Czechia, CEFC, came under investigation by Chinese authorities for 'suspicion of violation of laws' (Lopatka & Aizhu 2018), critical voices intensified in Czechia. As a result, Czech–Chinese relations have been cooling again. Since then, new Chinese FDI flows have not arrived, and divestment has taken place.

Poland used to be more enthusiastic about China but has taken a more cautious, even critical, stance since the mid-2010s. For Poland, high trade deficits represent one of the biggest problems with regard to the country's bilateral ties with China. Polish imports from China are about 12 times higher than Poland's exports to China, with the deficit reaching EUR 20 billion according to Eurostat 2021 data (Eurostat 2023). Potential security risks of Chinese investments prompted the Polish government to reconsider its rather positive approach toward China and to use harsh rhetoric about trade deficits as a serious political problem. This reconsideration was signalled, for example, by the cancellation of public tenders and by several political statements (Szczudlik 2017). As a probable result of this, Poland has not received sizeable amounts of new investment from China.

Slovakia was generally indifferent towards China over the past years. While it supported the '16+1' format and the BRI, it did so with less enthusiasm and tended to take a 'wait and see' approach. As a result, Chinese FDI is relatively negligeable compared to the other three countries.

Russian MNEs

As in the Chinese case, Russian investment in the V4 is dominated by market-seeking, complemented by efficiency-seeking and strategic asset-seeking motives. The V4 countries rely heavily on Russian energy sources, though to varying degrees,[7] and Russian energy MNEs headed towards the vertical integration of supply chains. However, this direction was challenged well before Russia's 2022 invasion of Ukraine, and some of these assets were sold off in the pre-war period. The desire to access new technologies, know-how and knowledge points to strategic asset-seeking. To give an example, technology and easier access to East European markets were reportedly the reasons behind the takeover of three Skoda Holding subsidiaries in Czechia by Russian heavy machine-building OMZ (Power Machines 2004). There were similar considerations in another case. Unique know-how, a well-developed technological background, and a highly qualified staff were the motives of Urals Mining and Metals Company (UMMC) to acquire a controlling stake in the Czech aircraft manufacturer Aircraft Industries, formerly LET Kunovice (OS KOVO 2016). Thus, these two examples show that strategic asset-seeking behaviour was pursued in conjunction with market-seeing (the case of OMZ) or efficiency-seeking (the case of UMMC) motives. In addition to market-seeking, efficiency-seeking motives were obvious in the case of Luxoft, a Russian-founded provider of software development services and IT solutions. Its expansion in Poland was driven by easy access to highly qualified IT staff in the country.

As with China, supranational institutional factors matter for Russia, but their specific importance depends on the case (Table 6). Regarding trade barriers, Russian steel exporters constitute a prime example as they are subject to import regulation and market protection on the EU market. For example, the aim of entering the 'closed' European market was said to be behind the acquisition of the Czech Vítkovice Steel by metallurgical and mining company Evraz (though Evraz sold this company later) (Krainová 2005). With Russia's accession to the WTO in 2011, EU quotas for Russian steel products ceased, though Russia had not fully utilised the quotas even before that.

The EU's institutional stability was an attraction also for Russian investors, though due to a bad Russian business environment, Russian firms possess such firm-specific ownership advantages which can be used abroad (Kalotay 2015: 245). However, this institutional stability was relative even before the sanctions introduced in 2014. Among factors negatively affecting Russian investors operating within the EU internal market, one is the EU's Third Energy Package on the creation of single gas and electricity markets in the EU, and its unbundling requirement regarding different activities. The latter, for example, hit Gazprom's Yamal–Europe gas pipeline in Poland. Currently, however, the most important of these negative factors is the EU's sanctions policy towards Russia.

For Russian investors, the role of institutional cooperation between the governments of host countries and Russia was not as decisive as for China before

7 By 2023, however, Poland had almost eliminated its energy imports from Russia.

Table 6: Major characteristics of analysed Russian companies in the V4

Macroeconomic pull factors	Institutional pull factors	
	Supranational	National
Market access	The EU's internal market integration strategy	Activities related to bilateral intergovernmental commissions, central and local government support through activities of investment, trade and development agencies, investment support grants
Labour costs	–	Lower taxes
Qualified labour force	–	Residence permits, knowledge of Russian language and culture, home country's diaspora, quality of living
Brands, know-how, knowledge, technology	Protection of intellectual property rights	Political stability, rule of law, public procurement

Source: Own compilation based on the reviewed literature and company interviews

the 2022 war, i.e. in the period under examination. This does not mean that there is no such high-level framework bringing in Russian investors. Institutional mechanisms such as intergovernmental commissions exist to promote bilateral economic relations between Russia and the V4 countries.

In the V4, Czechia hosts the largest Russian diaspora, though its number depends on the definition used for the measurement. The Russian Rakhimkulov family living in Hungary plays a noted role in Russian investments in Hungary (among other projects, in constructing an intermodal terminal near the Hungarian–Ukrainian border, which was inaugurated in 2022), even if investment by a Hungarian resident individual (here a Hungarian citizen of Russian origin) cannot be considered Russian OFDI in statistical terms. Russian clients played a role, albeit to varying degrees, in attracting Russian FDI into the V4's banking sector, such as in investments by the First Czech–Russian Bank in Czechia and Sberbank in various CEE countries (Global Trade Review 2009; Hovorka 2013).

Czechia is among the top destinations for real-estate purchases by Russians. According to a 2021 survey, Russian-speaking investors consider real-estate investment in Czechia as a means to preserve capital. In Hungary, the objective is to increase capital. Diversification of the investment portfolio is also an important motive for investors in Czechia (Tranio 2021). In Hungary, Russian citizens were first among non-EU foreigners buying residential real estate for many years until 2014. Since 2015, Chinese buyers have largely overtaken the Russians. Many Russians also got Hungarian residence permits through the golden visa programme, though the Chinese were by far the greatest buyers of Hungarian residence permit bonds.

High-level institutional and friendly relations correlated with the growth of Russian FDI in Hungary since the mid-2010s. In Hungary, Russia found an unlikely business partner when former Hungarian ambassador to the UK Kristóf Szalay-Bobrovniczky had two joint ventures with Russia's largest railway machine-building company Transmashholding. Since then, however, both the Hungarian and Russian owners have pulled out of the companies, the former following his appointment to defence minister in 2022, the latter as a consequence of the 2022 war and the sanctions. In another case, the relocation of the headquarters of the Russian-led International Investment Bank to Budapest demonstrated the significance of close ties between the two countries, though after the 2022 Russian invasion of Ukraine, CEE owners withdrew their ownership interests in the entity one by one, ultimately followed by the Hungarians in 2023 under US pressure. On the other hand, troublesome investments, such as in the ISD Dunaferr steel plant or formerly in Malév Hungarian Airlines in Hungary, could long be kept on the high-level bilateral political agenda.

Common features the V4 states share in their relations with Russia include troublesome historical legacies, relatively minor and narrowing economic relations (except for energy), and sharp party divisions regarding the Russian nexus. The latter means that a government change could have considerable effects on bilateral ties.

Hungary and Poland are positioned as two extremes in the V4 in terms of the respective warmth and coldness of political relations with Russia. Viktor Orbán's shifting attitude toward Russia makes the Hungarian case special. After 2010, he made a full turnaround as part of his 'Eastern opening' and transformed from a staunch critic into one of the fiercest proponents of cooperation with Russia. However, this does not mean that Hungary fully attends to Russia's interests. For instance, the hostile takeover attempt of Mol by Surgutneftegaz was reversed with the support of both governing and opposition parties in 2009–2011. Over the past decade, however, a full commitment to the relationship has become the defining feature. Viktor Orbán often acts as a consensus buster in symbolic issues in the EU, independent of whether it is about Russia or China. Hungary has, for instance, repeatedly criticised EU sanctions against Russia over its invasion of Ukraine, and sometimes even delayed measures to wrestle concessions.

Russia is a surprisingly small investor in Poland. This is puzzling not simply because of the two countries' common economic heritage and geographic proximity, but because Poland was the second main destination of Russian OFDI behind the United States in 1995–1999 (Kalotay 2003: 11–13). Negative political and public perception of Russia is definitely a factor in keeping Russian OFDI low in Poland. Poland has been the target of a couple of unsuccessful takeover attempts made by Russian firms. One example is the case of Polimex, a leading construction company in Poland, which was approached by Russia's VIS Construction Group in 2012. Another was Russian mineral fertilizer producer Akron's failure to acquire Poland's top chemicals group Azoty Tarnów in 2013–2014. These deals were prevented with the active participation of the Polish government. The 2022 war has further worsened Polish–Russian relations, while leaving Hungarian–Russian relations virtually untouched.

Czechia, too, often takes a very critical position towards Russia (Rácz 2014). Although former Czech presidents Miloš Zeman and Václav Klaus have been amongst the country's most pro-Kremlin politicians, their influence is becoming less relevant. Russia's 2022 invasion of Ukraine marked a turning point even for Zeman, who called Putin a 'madman'. For the Czech people and the government, the turnaround happened even before the 2022 war as a consequence of Prime Minister Andrej Babiš's April 2021 public announcement on the involvement of Russian secret agents in the 2014 explosions at the Vrbětice ammunition warehouses. Bilateral relations reached an all-time low with Czechia's inclusion (alongside the US) on Russia's official list of 'unfriendly countries' in May 2021. Still in April 2021, Russia's Rosatom was excluded from the tender to expand the Czech nuclear plant at Dukovany (Kratochvíl & Sychra 2022). An earlier example of the location disadvantage of negative approaches towards Russian capital is that of Evraz. The company complained that the acquisition of Vítkovice Steel in Czechia in 2005 (the first international acquisition of Evraz) was more difficult because of the common communist past of the two countries, in particular, due to fears on the Czech side (Economist Intelligence Unit 2007).

Slovak–Russian relations completely froze over with Russia's annexation of Crimea in 2014, which concluded an already tense period of the relationship. Cyberattacks and disinformation campaigns identified by the Slovak authorities led to the expulsion of Russian diplomats from Slovakia in 2020. This issue was followed by the failure to use the Russian Sputnik V coronavirus vaccine in Slovakia in 2021 amid a coalition crisis due to disagreements on the vaccine deal leading to the replacement of Prime Minister Igor Matovič (Mokrá 2022). By contrast, in Hungary, Sputnik V played an important role in the vaccination campaign. More recently, however, Slovakia's ties to Russia have begun to warm up with the election of Robert Fico to prime minister at the end of September 2023. The change is visible in the Slovak government estranging its Western allies and adopting a friendlier stance towards Moscow, a change of sympathies that has not gone unnoticed by the Kremlin itself (Hornak & Whitelaw 2024).

Conclusions

This paper offered an encompassing view of Chinese and Russian EMNEs' involvement and interest in the V4 countries. It demonstrated that the reasons for FDI in any particular case need to be understood contextually, with due attention to the factors specific to the EMNE and the host country in question. Chinese and Russian MNEs are responsive, in particular, to macroeconomic, institutional and political conditions. These factors can be found behind market-, efficiency- and strategic asset-seeking business decisions. While Russian companies have been present in the V4 for some time, this is a newly emerging destination for Chinese investors. Because of this, investment flows are hectic and highly volatile, depending on the size and frequency of transactions closed. The ownership structure of Russian and Chinese companies is mixed. Some are state-owned like Wanhua, Gazprom or Rosatom, while others like Huawei, BYD or Lukoil are privately owned, even if only nominally. Some of these companies are often referred to as 'national champions' that grew up with robust state support even if they are not directly state-owned.

The aim of the paper was to scrutinise these conditions and show that they correlate with the inevitable ups and downs of FDI interest emanating from Russia and China. There is no denying that low labour costs, access to West European markets, tax incentives and other endowments play a key role in sustaining this interest. But whether these factors do stick in an investor's mind may depend on the broader political receptivity of the host environment. As such, it seems that politics remain very often both the matchmaker and the destroyer of business ties between emerging companies and foreign markets.

In so arguing, the paper demonstrated empirically that the quality of political relations between foreign countries and the V4 region goes a long way to explain both upticks and downturns of FDI interest. This is certainly the case for China. When relations with the Beijing government are properly tended to, there is a discernible increase in inflows of Chinese FDI. Neutral positions are inconsequential, if not slightly discouraging, whereas critical statements and foreign policies towards China are counterproductive. These logics are evident as Hungary hosts the biggest stock of Chinese FDI in the broader CEE region, all the while it continues to shower the Beijing government with political statements antithetical to the Western consensus. Another example is the positive shift registered in Czech–Chinese relations and orchestrated by Miloš Zeman, but also the deterioration of these ties once the biggest Chinese investor in the country was exposed for its shady and illegal activities. In Poland, the Chinese FDI stock remains stagnant due to the country's overt criticism towards China. As for Slovakia, there is, once more, a noticeable correlation between the lack of political effort to host Chinese MNEs and the low levels of Chinese FDI in these countries. It remains to be seen whether changes in government in Slovakia and their political sympathies towards Russia generate any uptick in Russian EMNE activity in the country. The same question applies to the future of Chinese investment in Slovakia, given the potential to follow the Hungarian path.

In fact, the dynamic and rapidly changing relationship between EMNEs and the V4 countries is the very reason why theorising has proved to be difficult. While the literature reviewed in Section 2 is not oblivious to the influence of institutional and political factors attracting FDI to particular countries, this correlation deserves more study, and EMNEs' interest towards the V4 region is still a gift that keeps giving. EMNEs continue to pivot towards foreign investment markets against the backdrop of state support. Yet, because they have matured with such assistance in their domestic environment, they seem to have an interest in countries whose markets are strongly regulated by the state's 'visible' hand. Since many of the V4 countries are undergoing such an interventionist turn in their internal policies, this may make them more attractive for Chinese and Russian companies. Further, if these countries are clear about their support for China's and Russia's role in international politics today, this can generate even more interest from Chinese and Russian EMNEs.

Though it exceeds the limits of this paper, further research is needed to study the link between Hungary's illiberal turn and the growing Russian and Chinese footprint in the country (Rogers 2019, 2020; Turcsányi et al. 2019). That this link exists is fairly certain, but if there is any causality underlying it, its direction is much less clear. Hungary's illiberalism is hardly a monocausal phenomenon, yet its steady interest in deepening ties with China is also not independent of it. Three decades after its democratic transition, Hungary thus serves as an ideal springboard for authoritarian powers because it is not afraid 'to go against the spirit of the age and build an illiberal political and state system' (Orbán 2014). In order to investigate the root causes of this behaviour of Hungary, future research may investigate why countries like Hungary in Europe's periphery turn to Russia and China, while others like Czechia and Poland do not.

Finally, the 2022 Russian invasion of Ukraine is upending FDI flows and business deals between Russian companies and the V4 countries. Prior to the war, the following ranking of the V4 countries could be discerned between the two ends of the spectrum of warmth and coldness of political relations with Russia: Hungary, Slovakia, Czechia and Poland. Although this ranking is not directly reflected in Russian FDI, the countries on the two extremes are revealing. Historical disagreements between Russia and Poland and the general hostility to Russian investors have resulted in low Russian FDI stock in Poland, while a new, decade-long interest-based friendly relationship between Hungary and Russia has begun to show up in Russian FDI numbers in Hungary.

At the same time, there is much variation between these two extremes, which reflects the validity of the very argument this paper had made. Despite Russia's invasion of Ukraine in 2022 and the convergence it precipitated amongst the V4 against Moscow, the regional consensus is being undone and relations with Russia and China come to reflect, once more, the changing political preferences of incumbent governments in the V4 countries. Though Hungary used to be the odd one out, it no longer is with Slovakia's turn to Russia. As we have stressed in this study, attention to these political factors are key for understanding Russian and Chinese EMNEs' interest in the V4 region.

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