Escape FDI and Institutional Arbitrage: Home-Country Drivers of South African Investment in Hungary

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Abstract

Foreign direct investment from emerging economies has increasingly diversified geographically, yet investments from African multinationals into Central and Eastern Europe remain underexplored. In particular, South African FDI in Hungary represents an unusual case, given the limited historical and economic ties and structural differences between the two countries. This paper investigates the drivers, structure and developmental implications of South African FDI in Hungary, with the aim of explaining why firms from a distant emerging economy invest in a medium-developed EU member state. The analysis adopts a mixed-method approach, combining macro-level FDI statistics, foreign affiliates statistics, firm-level database analysis, and five interviews with company representatives and experts.

The results show that South African FDI in Hungary is small, volatile and structurally heterogeneous. Investments are dominated by financialised real estate and service-sector activities embedded in broader Central and Eastern European portfolio strategies, while manufacturing presence remains limited. The evidence highlights the marginal role of South African firms in employment and value-added.

These findings suggest that South African FDI in Hungary is driven primarily by home-country push factors—such as institutional instability, macroeconomic risks and corruption—rather than strong host-country pull factors. Internationalisation thus serves as a form of institutional arbitrage and risk diversification, rather than conventional market- or efficiency-seeking expan-

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sion. The paper contributes to the literature on emerging market multinationals by demonstrating that the developmental impact of FDI depends critically on its qualitaty and strategic motivation, and that financialised, portfolio-type investments generate limited local embeddedness and spillovers.

Keywords: South African Capital, Outward FDI, Hungary, Emerging MNEs, and Internationalization.

JEL codes: F21, F23; O55

Introduction

At first glance, Hungary and South Africa appear to be unlikely economic partners. South African FDI in Hungary amounts to around EUR 200 million, a negligible amount compared to Hungary's total inward FDI stock and to the volumes invested by its leading partners such as Germany, Austria, United States or Korea. Yet, this figure is striking when considered against the limited historical, political and economic linkages between the two countries and their considerable geographical distance. Unlike Hungary's traditional Western European investors, South African firms do not benefit from dense trade and personal ties or long-standing institutional cooperation. The presence of South African capital in Hungary therefore raises an intriguing question: why do emerging multinationals from a distant emerging economy invest in a medium-developed EU member state with which they share only limited bilateral connections?

This paper addresses this question by examining the drivers, structure and developmental implications of South African outward FDI in Hungary. Situating the case within the broader literature on emerging market multinationals, institutional distance and defensive internationalisation, we explore whether these investments follow classical market-seeking and efficiency-seeking logics or whether they are better understood as part of portfolio-based diversification and institutional risk management strategies. Hungary provides a particularly relevant setting for this analysis: as a long-standing FDI-dependent economy within the EU, it has traditionally attracted manufacturing-led, export-oriented investments, while more recently seeking to diversify its investor base geographically, including to faraway countries.

Empirically, the study combines macro-level FDI statistics (distinguishing between immediate and ultimate ownership), foreign affiliates statistics (FATS), firm-level database analysis, review of the existing scarce literature and five semi-structured interviews with corporate representatives and experts. This mixed-method approach allows us to move beyond aggregate data and uncover the qualitative structure and strategic logic behind a relatively small but analytically revealing and interesting investment stock.

Our findings show that South African FDI in Hungary remains modest in absolute and relative terms, highly volatile, and internally heterogeneous. It is dominated by financialised real estate and service-sector investments embedded in broader CEE portfolio strategies, with only a limited number of manufacturing and retail cases indicating stronger local commitment. Push factors from South Africa—particularly institutional and macroeconomic risks—play a central role in these FDI flows, suggesting that these investments are driven less by strong Hungarian pull factors than by risk diversification and institutional arbitrage motives on the part of the investing South African companies. By analysing this "unlikely partnership," the paper contributes to a more nuanced understanding of how emerging multinationals expand into distant, medium-developed economies and how the qualitative structure of FDI shapes its developmental impact.

The article is structured as follows. After reviewing the literature, we present the methodology applied. Then descriptive statistical analysis of macro FDI data, FATS data and company-level information is followed by the presentation of the analysis based on the firm representative and expert interviews. The last section presents the conclusions.

1. Review of the literature and research question

In global comparative terms, Africa's contribution to outward foreign direct investment (OFDI) remains modest relative to Europe and Asia (Evans and Jing, 2020). Nevertheless, within the African continent, South Africa stands out as the dominant outward investor. South African multinational enterprises (MNEs) account for the overwhelming majority of African OFDI stocks and flows (Chizema et al., 2021; Kiss, 2017; UNCTAD, 2024), reflecting the country's comparatively advanced corporate sector and financial markets.

South African outward expansion initially concentrated on the African continent, supported by bilateral agreements and regional integration initiatives. Intra-African investments have frequently been motivated by market-seeking and efficiency-seeking considerations, including access to expanding consumer markets, lower labour costs, and favourable labour regulations (Chizema et al., 2021). In addition, the South African government has actively supported internationalisation through various institutions, agencies and investment support mechanisms that provide information on foreign markets, financial instruments and tax incentives (Bezuidenhout et al., 2021). These institutional frameworks have facilitated not only regional but also extra-African expansion.

Beyond Africa, South African OFDI has increasingly targeted developed and emerging markets. According to Ibeh (2018), African MNEs internationalise for multiple strategic reasons, including access to advanced technologies, acquisition of knowledge and capabilities, procurement of strategic assets, and the establishment of international partnerships that enhance global competitiveness. In the South African case, ownership advantages rooted in financial sophistication, managerial capabilities and sector-specific expertise underpin both market-seeking and efficiency-seeking investments abroad (Bezuidenhout et al., 2021).

Europe has emerged as an important extra-African destination for South African OFDI, particularly the United Kingdom (Kiss, 2017). More recently, Central and Eastern Europe (CEE) has gained prominence. Kiss (2020) argues that South African firms are attracted to CEE by its integration into the European Union (EU), which provides access to the single market, free movement of goods and services, and regulatory stability. Within CEE, Poland has been identified as the primary destination of South African investments, reflecting its larger market size and stronger growth performance (Kiss, 2020).

The attractiveness of CEE must also be understood in relative terms. Compared to South Africa, CEE countries are often perceived as offering greater macroeconomic and political stability. South Africa faces persistent structural challenges, including electricity supply constraints (load shedding), currency volatility and high unemployment (Sulaiman & Abdullatief, 2020). These factors may not only push firms to diversify geographically but also shape outward FDI as a risk-mitigation strategy. Furthermore, limited competition in certain sectors and relatively favourable financing conditions in CEE have enhanced the region's appeal for South African investors (Sulaiman & Abdullatief, 2020).

The integration of CEE economies into the EU has played a central role in strengthening their investment attractiveness. Empirical evidence shows that accession to the EU single market significantly increased FDI inflows into countries such as Hungary, Poland and Czechia (Gál & Lux, 2022; Gorynia et al., 2020). EU membership signals regulatory credibility, legal protection and long-term institutional anchoring, all of which are important for investors originating from more volatile environments.

Despite this growing body of research, South Africa's extra-African OFDI — particularly into smaller CEE economies such as Hungary — remains underexplored. Existing studies tend to focus either on intra-African expansion or on major destinations such as the United Kingdom and Poland (Ibeh et al., 2018; Kiss, 2020). Less attention has been paid to the motivations, sectoral composition and strategic logic of South African investments in smaller, geographically distant EU member states.

Since the early 1990s, Hungary has been widely regarded as one of the leading FDI recipients in Central and Eastern Europe, pioneering an export-oriented, FDI-led development model built on the large-scale attraction of multinational enterprises (Fink, 2006; Nölke & Vliegenthart, 2009). Early liberalisation, rapid privatisation, and integration into European production networks positioned Hungary as a key manufacturing and logistics hub within the EU single market (Csontos, 2025; Éltető, 2025). More recently, the government's "Eastern Opening" (Keleti Nyitás) strategy sought to diversify both foreign trade and inward FDI away from excessive dependence on Western Europe, targeting investors first of all from Asia, the Middle East but also from other emerging economies (Csaba, 2022; Song & Li, 2024). This strategy has been accompanied by generous investment incentives, including cash subsidies, tax allowances and tailored strategic partnership agreements

(Szanyi, 2020). At the same time, Hungary's growth model remains structurally dependent on the continuous inflow of new FDI projects, as the spillover effects and endogenous upgrading generated by earlier waves of foreign investment have been limited. As a result, sustaining competitiveness relies less on productivity gains from embedded foreign affiliates and more on attracting successive rounds of external capital inflows (Sass, 2021; Szalavetz, 2025).

This study contributes to the literature by examining the drivers of South African outward investment into Hungary, situating these investments within broader debates on emerging-market multinationals, risk diversification, and regional integration. By analysing why South African firms expand beyond their traditional African and Western European destinations into CEE, the paper sheds light on the evolving patterns of African OFDI and the role of institutional and macroeconomic differentials in shaping internationalisation strategies. Our research question is as follows: why do emerging multinationals from a distant emerging economy invest in a medium-developed EU member state with which they share only limited bilateral connections – based on the case of South African FDI in Hungary?

2. Methodology

To address the research questions, we applied a mixed-methods approach combining quantitative and qualitative analysis. At the macro level, we analysed official FDI statistics from 2014 onwards. This starting point is justified by the methodological revision of international FDI statistics, which since 2014 distinguish between immediate and ultimate investing country (OECD, 2009). Using data based on ultimate ownership allows us to identify the real extent of South African-owned investments in Hungary and to compare these with FDI flows originating from South Africa. This distinction is particularly important given the frequent use of intermediary financial centres in international investment structures (Sass & Fertő, 2025). Furthermore, we relied on the foreign affiliates statistics (FATS), presenting various aggregated indicators for majority-owned foreign companies. At the micro level, we compiled a firm-level dataset based on fDi Markets and complementary company sources to identify South African-owned firms operating in Hungary. These database enabled us to map sectoral distribution, and investment dynamics, and to cross-check official statistics.

Quantitative analysis was complemented by qualitative research. Furthermore, given the limited number of South African firms present in Hungary and the scarcity of publicly available detailed information, in-depth insights into investment motives, strategic considerations, and operational challenges could only be obtained through interviews. Between May and August 2025, we conducted semi-structured interviews with representatives of two South African firms investing in Hungary and three academic and industry experts with comprehensive knowledge

of South African–CEE economic relations. Interviews were conducted in person, via email, or through Microsoft Teams. Access to corporate respondents required extensive preliminary contact and negotiation, reflecting both the small size of the population and the sensitivity of investment-related information. While the number of interviewed firms does not allow for statistical generalisation, it is proportionate to the limited universe of South African investors in Hungary. The inclusion of expert interviews further enhances the analytical depth by situating firm-level experiences within the broader FDI landscape.

All interviewees were assured confidentiality. Detailed notes were taken during and immediately after the interviews and systematically analysed through thematic comparison across cases. Given the limited number of interviews and their focused scope, formal qualitative coding software was not employed; instead, structured thematic analysis was deemed appropriate.

As a third source of information, we have relied on the very rare existing literature on the topic, referenced at the appropriate places.

3. Results

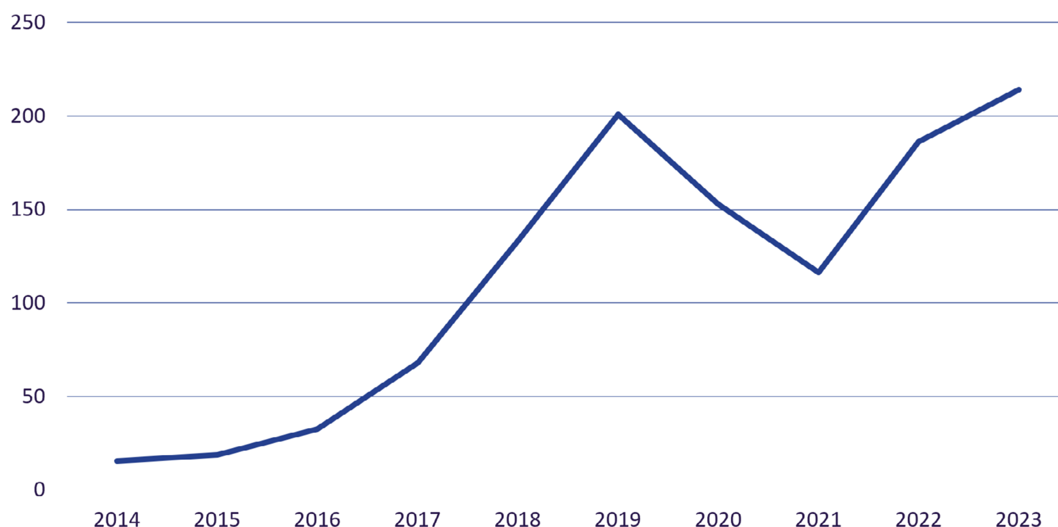
3.1. Background: what do the statistics tell us?

In 2024, Africa's outward FDI was roughly USD 275.5 billion, and thus Africa accounted for less than 1 per cent of the world's total outward FDI stock (UNCTAD, 2025) – which is obviously much less than its share in world GDP and especially in world population. Furthermore, in 2024, more than half of Africa's outward FDI stock came from South Africa, accounting for 54% of total outward African stock, making it the most significant FDI source country on the continent (UNCTAD, 2025).

3.1.1. South African FDI in Hungary

There has been a dynamic increase of South African FDI in Hungary, starting from negligible levels in 2014-15 and surpassing 200 million EUR by 2023. (Chart 1) Data indicate that South African FDI flows to Hungary are highly volatile and irregular. Rather than a steady upward trend, the pattern is characterised by sporadic inflows, occasional negative flows (presumably disinvestment or capital withdrawal), and an absence of sustained expansion.

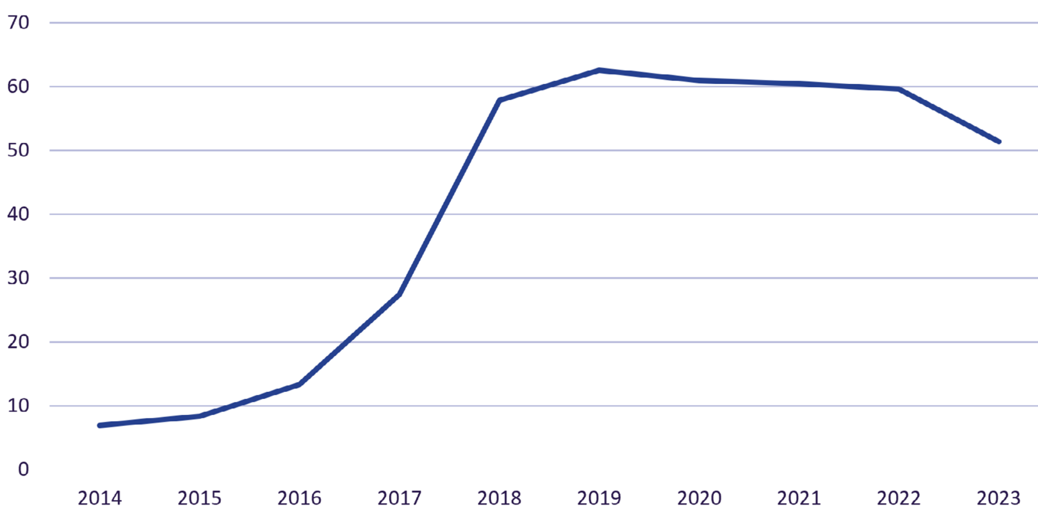
Chart 1. South African FDI in Hungary, according to the ultimate owner's nationality, 2014 -2023, million EUR



Source: own calculations based on data from Hungarian National Bank (2025)

Data from the Hungarian National Bank (2025) indicate that South Africa's share in Hungary's total inward FDI stock remains below 0.2%, confirming the marginal macroeconomic importance of South African capital in the Hungarian economy. This aligns with the FATS-based findings presented later showing limited employment and value-added contribution. However, starting from a negligible share, by now, South African FDI dominates African FDI in Hungary. (In earlier years, FDI from Seychelles islands and Egypt had been larger in volume but by now South African FDI surpasses them.) (Chart 2)

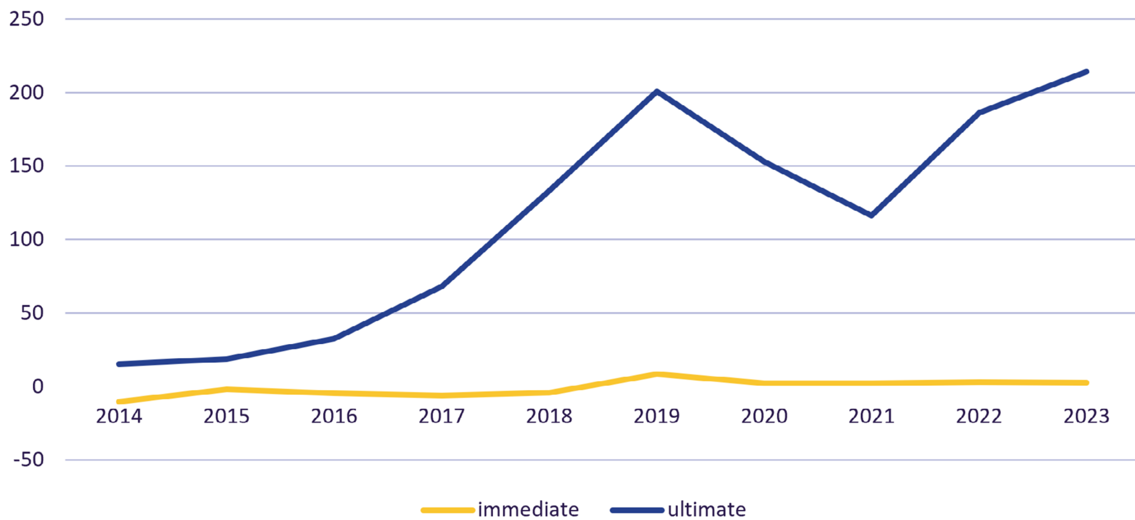
Chart 2. South African FDI in % in FDI stock in Hungary from Africa



Source: own calculations based on data from Hungarian National Bank (2025)

South African FDI tends to come indirectly, which means that South African multinationals include one or more intermediary countries before they get to their final destination in Hungary. The gap between immediately and ultimately South African-owned FDI has widened significantly starting from 2019. (Chart 3)

Chart 3. Immediately versus ultimately South African FDI in Hungary, million EUR



Source: own calculations based on data from Hungarian National Bank (2025)

One of these intermediary countries can be Poland, which is reinforced by our interviews. Poland (and Spain) seem to be the European strongholds of South African FDI, followed by France and Portugal, according to the nationality of the ultimate owner of FDI. Hungary's level remains well below the major Western and Southern European destinations. However, in per capita terms, among the countries on Table 1 (for which data about the ultimately South African-owned FDI is available), Portugal is the clear leader, but Hungary is ranked a close fourth, behind Poland and Spain.

Table 1. Stock of South African FDI in selected countries, 2023 and 2024, million USD

	2023	2024	per capita 2024
Denmark	30,54	28,00	4,83
Estonia	10,35	9,06	6,97
France	900,55	792,64	11,76
Hungary	236,53	177,52	17,75
Italy	-93,99	290,54	4,80
Lithuania	9,48	13,04	4,66
Poland	1115,58	844,90	20,12
Portugal	615,17	661,35	66,14
Slovenia	0,00	0,00	0,00
Spain	1192,27	852,90	18,22

Source: OECD (2025)
Note: countries, for which data on ultimately South-African-owned FDI is available

Overall, South African FDI in Hungary is small in absolute and relative terms and it lacks a clear upward trajectory. Furthermore, it is subject to considerable year-to-year volatility. Based on the macrodata, Hungary is not a core strategic destination within South Africa's European investment portfolio. This is reinforced by the fact that South African FDI comes mainly indirectly to Hungary, through an intermediary country. We can state that South African OFDI in Europe is concentrated in larger consumer markets, whereas Hungary plays a secondary or portfolio-diversification role. In the CEE region Poland is clearly the main destination of South African FDI.

3.1.2. Majority South African-owned firms in the Hungarian economy

FATS statistics present information on the absolute values and relative shares of majority foreign-owned companies (50%) in the total number, net sales, employees, value-added and output of all enterprises. Unfortunately, detailed industry-level data are not available. We have concentrated on the number of enterprises and their shares in total sales, in total sales by foreign majority-owned firms, and similar shares for employment and value added. (Table 2)

Table 2. Indicators of South African majority owned firms in Hungary, 2018-2023, number and %

	2018	2019	2020	2021	2022	2023
Number of enterprises	27	22	19	17	19	20
Net sales: share in total in Hungary	0,12	0,15	0,16	0,16	0,13	0,12
Net sales: share in foreign majority-owned in Hungary	0,26	0,32	0,33	0,39	0,27	0,25
Employment: share in total	0,12	0,11	0,11	0,12	0,12	0,12
Employment: share in majority foreign-owned	0,49	0,47	0,49	0,16	0,52	0,52
Value added: share in total	0,15	0,10	0,11	0,09	0,06	0,09
Value added: share in majority foreign-owned	0,33	0,23	0,25	0,20	0,14	0,21

Source: Own calculations based on Statistics on foreign-controlled subsidiaries operating in Hungary (Inward FATS) by geographical breakdown – at the economic unit level (EU27_2020) 2018–2020: Enterprises in the B–S sectors, excluding the K, O, and S94 sectors; From 2021, enterprises in sectors B-S, excluding sectors O and S9 https://statinfo.ksh.hu/Statinfo/themeSelector.jsp?lang=hu

The number of majority South African-owned enterprises declined from 27 in 2018 to 17 in 2021, followed by a slight recovery to 20 by 2023, underlining the already mentioned volatility of FDI. This pattern suggests a relatively small and volatile investor base and a consolidation phase or exit of smaller/less viable firms before and during COVID with limited large-scale new entry. However, given the small absolute numbers, even minor changes (e.g. the exit or entry of one larger or even medium-sized firm) reflect structural fragility rather than cyclical fluctuation. Overall, South African firms play a marginal role in the Hungarian economy. They account for slightly more than 0.1% of total Hungarian net sales, of total employment and of total value added. This confirms that South African FDI is economi-

cally marginal at the national level. Even within the foreign-owned segment, this share hardly reaches 0.5 % and data indicate a declining relative weight within the foreign-invested sector as well.

The employment shares remain relatively stable, while value added shows stronger fluctuation and an overall downward trend. This may imply the dominance and increasing share of labour-intensive or commercially oriented activities, limited productivity growth or high value-added upgrading and a sectoral concentration in retail, logistics and services rather than advanced manufacturing – which statement is reinforced by the firm level data and the interviews, presented later on. The 2021 drop in employment share within foreign-owned firms (0.16%) appears as an outlier and may reflect sectoral restructuring or statistical reclassification. The most striking trend is the decline in value added share (especially within majority foreign-owned firms: from 0.33% to 0.21%). This may suggest limited technological upgrading, a strong exposure to cyclical retail/logistics sectors as reinforced by company-level data, the effects of the pandemic and financialised, yield-oriented investments rather than production-driven integration – which may also be linked to real estate investments. In other words, South African affiliates do not appear to deepen their productive footprint in Hungary over time.

Overall, the data portray South African FDI in Hungary as small in scale – reinforcing the results of the analysis of macrodata, volatile in firm numbers, stable in employment contribution and weak or declining in value-added generation. The role of South African majority-owned companies appears marginal within the broader foreign-owned sector in Hungary. This supports the broader interpretation that South African FDI in Hungary is not structurally transformative and does not follow a classic manufacturing-led upgrading path, but rather reflects niche, service-oriented and financially driven investments with limited macroeconomic impact.

3.1.3. Firm-level data

The ORBIS-Amadeus database contains nine entries for Hungary for South African projects. Duplications are present with certain companies, which have countryside plants and/or made subsequent expansion after their establishment of a project in the country. According to this database, the following South African multinational companies are present in Hungary: eMag, Palletway, Mondi Group, Pepkor Retail and Panopa Logistik, they are concentrated in Budapest and the neighbouring counties. Further locations within Hungary include Békéscsaba, Kecskemét and Győr. The sectors affected are first of all retail trade (reinforcing the statements of the previous section), transportation and warehousing, and paper production. Interestingly enough, the two interviewed firms are not included in the list, which raises questions about the reliability of this data source.

3.2. Results from the interviews

The five interviews conducted in the framework of the research, added important supplements and insights into the evolution of South African FDI in Hungary. From these we concentrate on four interesting areas, which add important details about emerging multinationals' strategy, presence and expansion in medium-developed countries.

3.2.1. Financialised, real-estate-led FDI

The interviews and firm-level evidence clearly indicate the dominance of commercial real estate FDI among South African investments in Hungary and, more broadly, in Central and Eastern Europe. These investments illustrate how emerging multinationals from geographically distant emerging economies—equipped with strong and internationally proven ownership advantages—are able to expand successfully into medium-developed, faraway host economies. In the case of South African property companies, their ownership advantages stem from sophisticated asset management capabilities, experience in large-scale retail property development, access to international capital markets, and advanced portfolio management know-how developed in a highly competitive domestic environment. Rather than targeting Hungary as a standalone market, these firms typically integrate it into a broader CEE portfolio strategy, seeking higher yields, less saturated retail markets, and lower competitive intensity compared to Western Europe. It is obvious from the interviews that the CEE region and within that Hungary came into the picture for these investors due to the market saturation and lower level of relative competitiveness of South African firms in Western Europe. Hungary thus forms part of a regional investment platform, often managed through a CEE headquarters with limited direct operational involvement from South Africa.

This pattern challenges a narrow interpretation of classical OLI explanations. While the investments are formally market-seeking, they are better understood within the literature on the financialisation of FDI and portfolio-style foreign expansion, where real estate assets function as relatively mobile and liquid forms of capital compared to manufacturing FDI (Karkowski & Stockhammer, 2017). Entry and exit are easier, which helps explain the observable fluctuations in South African FDI stocks in Hungary, shown based on the macrodata. Sensitivity to political risk, regulatory uncertainty, and corruption concerns also shape these investment decisions. The dominance of Romania and Poland within South African portfolios, alongside Hungary's more recent relative decline—linked to factors such as the "plázastop" (a Hungarian policy measure that restricts the construction of large retail shopping centres and hypermarkets), inflationary pressures, and perceived policy risk—further supports this interpretation.

The sectoral focus is consistent with earlier findings: South African outward FDI to CEE has concentrated on real estate, healthcare, FMCG, and retail (Sulaiman & Abdullatief, 2020), with property investments playing a particularly prominent role. Akinsomi et al. (2025) show that around 30% of South Africa's offshore prop-

erty investments have been directed to Central Europe. Domestic push factors—political uncertainty, sluggish growth, and oversupply of shopping malls in South Africa—have encouraged outward expansion (Jordaan, 2018), while CEE's growing economies, rising wages, strong consumer demand, and relatively unsaturated retail markets have acted as pull factors. A prominent example is Fortress REITs, listed on the Johannesburg Stock Exchange, which became a major shareholder in NEPI Rockcastle Plc, one of the largest retail property owners in the region. Furthermore, the state "factor" of real estate financialisation is also relevant and specific to South Africa through Government Employees Pension Fund, which is one of the largest ones the world (Pillay Gonzalez, 2024). Overall, the South African case demonstrates that emerging multinationals with robust ownership advantages can successfully expand into medium-developed but institutionally risk-prone distant markets, leveraging portfolio-based strategies that combine yield-seeking with flexible capital reallocation.

3.2.2. Volatility

The interviews confirm that the relatively high volatility of South African FDI in Hungary is closely linked to the dominance of commercial real estate and other service-sector investments. These activities are structurally less embedded in the host economy than manufacturing projects: they require limited supplier linkages, generate fewer backward and forward production connections, and are primarily integrated into regional or global financial portfolios rather than local value chains. Several interviewees explicitly emphasised that Hungary is treated as part of a broader CEE (in some cases EU) allocation strategy, where capital can be reallocated relatively quickly in response to yield differentials, regulatory changes, or shifts in perceived political risk. In this sense, volatility is not an anomaly but an inherent feature of FDI with portfolio investment features or of financialised FDI.

Beyond real estate, the presence of predominantly small and medium-sized service firms further reinforces this footloose character. These firms often operate in niche segments, with limited fixed asset specificity and relatively low sunk costs compared to manufacturing. As a result, exit remains a credible option if market conditions deteriorate. Interviewees pointed out that decision-making is frequently centralised at regional level, and Hungarian subsidiaries have limited strategic autonomy, which further reduces local embeddedness and enhances footlooseness. Employment effects are typically modest, and cooperation with local suppliers or innovation partners remains limited.

In contrast, the few manufacturing-related cases illustrate a different logic. Mondi Paper, identified in the ORBIS AMADEUS database, represents a historically embedded case: the Hungarian firm was originally privatised and acquired by an Austrian company (Prinzhorn), which was subsequently taken over by the South African parent. Here, integration into international production networks occurred through successive ownership changes, and the Hungarian operation is part of a larger, long-term industrial strategy. Another interviewed small-sized manufacturing firm—operating as the sole player in Hungary in a highly specialised niche—

established a production facility in the European Union primarily to ensure proximity to customers and compliance with EU standards. In this case, the investment decision was driven less by portfolio considerations and more by strategic market access and customer integration, implying higher sunk costs and stronger local presence and a potentially stronger positive local impact (Gurály, 2024).

Overall, the interviews suggest a dual structure: while a small number of manufacturing cases demonstrate deeper embeddedness and longer-term commitment, the dominant pattern of South African FDI in Hungary remains characterised by low embeddedness, regional portfolio management, and relatively high potential for entry–exit fluctuations.

3.2.3. Heterogeneity of the FDI projects

Building on the discussion in Section 4.2.2 on low embeddedness and high volatility, the interviews reveal that—even within the relatively small stock of South African FDI in Hungary—a differentiated typology of investors can be identified. The heterogeneity of projects helps to explain both the aggregate volatility of FDI data and the uneven depth of local integration.

First, the dominant group consists of financialised commercial real estate investors. As discussed earlier, these firms operate within a regional CEE portfolio logic, usually with a Polish or Romanian regional centre, where Hungary is one element of a broader asset allocation strategy. Their embeddedness can be described as medium: while they do not integrate into local production networks, they maintain relatively intensive contacts with the host economy through property management, leasing relationships with domestic and international retail tenants, cooperation with local service providers (legal, financial, facility management), and interactions with regulatory authorities and municipalities. However, their strategic decision-making remains largely externalised to regional or global headquarters, and capital can be reallocated comparatively quickly. Thus, although their operational presence is visible, their structural embeddedness is limited by the financialised and portfolio-driven nature of their investment model (as detailed in 4.2.2).

Second, logistics-related investments form a smaller but distinct group. These projects are typically project-based and linked to specific contracts, infrastructure developments, or regional distribution needs. Their embeddedness resembles that of real estate investors in terms of local contacts—cooperation with transport providers, warehousing services, and sometimes industrial park operators—but they often lack long-term strategic anchoring in Hungary. The interviews suggest that these investments are sensitive to cost competitiveness and regulatory predictability, and their continuity depends on the sustainability of specific projects rather than on broader production linkages.

Third, a limited number of manufacturing firms are present. As noted in the previous subsection, these projects are structurally less footloose than service-based investments due to higher sunk costs and physical production facilities. Nevertheless, their embeddedness remains relatively low in terms of local supplier integration and innovation linkages. The Mondi Paper case illustrates a historically layered

ownership trajectory, where Hungarian operations became part of a South African multinational structure through successive acquisitions. As it was mentioned, another interviewed firm established EU-based production primarily for market proximity and regulatory reasons, not because of specific Hungarian location advantages. These manufacturing cases therefore display stronger commitment and lower volatility than financial or logistics projects, yet they do not necessarily generate dense local value chain integration or build up a substantial local supplier base.

Fourth, retail investments represent a distinct category with potentially stronger employment and longer-term developmental effects. Firms such as Pepkor or eMag (as identified in the Amadeus–Orbis database) operate consumer-facing activities with direct labour market impact and ongoing engagement with local suppliers, shopping centres, and logistics networks. Naspers Group (a large South African media conglomerate) operates in over 120 countries, expanding into Europe through its e-commerce business and online classified platforms (Teer-Tomaselli et al., 2019). In Central Europe, particularly, Naspers has acquired e-Mag, the largest Romanian online retailer, and another Polish company that provided a mobile online comparison service (Manu & Vasile, 2019; Teer-Tomaselli et al., 2019). In the European retail sector, South African investment company Steinhoff used to own a large stake in Pepkor (Shah, 2019). Pepco is amongst the largest retail chains in Central Europe, focusing specifically on Romania, Hungary, Slovakia, the Czech Republic, and Croatia (Shah, 2019). However, South African outward FDI in the retail sector has mostly been focused on the African continent due to factors such as trade openness, potential growth and profitability, and rising household incomes (Chizema et al., 2021). The business models of these two retail firms require physical presence, brand building, and customer relationships, which may imply more durable market commitment compared to purely financial investments. At the same time, their strategic orientation remains regional, and expansion or contraction decisions are influenced by overall CEE performance.

Overall, this typology demonstrates that the aggregate picture of South African FDI in Hungary—characterised in 4.2.2 by low embeddedness and high volatility—is driven mainly by the dominance of financialised real estate and service-sector projects. At the same time, important intra-group differences exist. While some investments are highly footloose and portfolio-driven, others—particularly retail and selected manufacturing cases—show longer-term commitment and greater, though still limited, local integration. This heterogeneity underscores the need to move beyond aggregate FDI statistics and consider the qualitative structure of investments when assessing their developmental implications.

3.2.4. Pull and push factors

The interviews suggest that, from the perspective of South African multinationals, Hungary is rarely perceived as a standalone destination; rather, it is evaluated as part of the European Union or, more specifically, within a broader CEE regional strategy. EU membership, access to the Single Market, and Schengen integration

constitute important locational advantages. Earlier investment waves were also supported by the perception of political and macroeconomic stability. However, several interviewees noted that increasing macroeconomic volatility—high inflation, exchange rate fluctuations, and regulatory unpredictability—has weakened Hungary's relative attractiveness in recent years in regional comparison.

Traditional pull factors play a differentiated role across sectors. For certain manufacturing projects, comparatively lower labour costs vis-à-vis Western Europe and proximity to EU customers were relevant considerations. At the same time, neither the interviewed firms nor the experts identified investment incentives as decisive in location choice. No interviewed company reported having received significant FDI incentives, and experts emphasised that subsidies did not shape the original entry decision. This finding contrasts with common narratives about incentive-driven FDI in Hungary and suggests that, at least for this investor group, strategic and institutional considerations outweigh direct financial inducements.

By contrast, push factors from South Africa emerged as highly significant. Interviewees repeatedly referred to domestic political uncertainty, corruption fatigue, banking sector instability, sluggish growth, and broader capital flight logic as drivers of outward expansion. In this sense, several projects can be interpreted as forms of "escape FDI," motivated less by specific Hungarian advantages and more by the search for institutional stability and risk diversification. As one expert succinctly formulated: firms are looking for "what is not available at home: stability and EU membership." Internationalisation thus serves as a defensive strategy, allowing companies to hedge against domestic institutional and macroeconomic risks.

This logic is particularly visible in the dominant real estate segment. For property investors, EU location, predictable legal frameworks, enforceable property rights, Schengen access, and partial euro exposure (even in a non-euro country such as Hungary) are perceived as elements of stability, according to the interviews. Investments are therefore embedded in a broader risk diversification strategy across jurisdictions, where institutional quality and regulatory reliability are key assets.

These findings connect directly to the literature on emerging market multinationals, institutional distance, and defensive internationalisation. They suggest that South African outward FDI to Hungary is driven more by home-country push factors and institutional arbitrage than by strong host-country pull factors. The case thus offers a theoretically relevant contribution: it highlights how emerging multinationals with established ownership advantages use international expansion not only for market-seeking or efficiency-seeking purposes, but also as a strategy of institutional risk management and institutional arbitrage (Buckley, 2018) and portfolio-based diversification across regulatory environments and how this internationalisation process is shaped by home country institutions (Buitrago & Barbosa-Camargo, 2020; Luo & Tung, 2018;).

Conclusion

This paper set out to examine the drivers, structure and developmental implications of South African outward FDI in Hungary, a small and relatively underexplored destination within the broader European investment portfolio of South African multinationals. Drawing on macro-level FDI statistics, FATS data, firm-level databases and five semi-structured interviews, the analysis has demonstrated that South African FDI in Hungary remains small in absolute and relative terms, highly volatile, and structurally heterogeneous. At the macro level, South African capital accounts for less than 0.2 per cent of Hungary's inward FDI stock and plays only a marginal role in employment and value added generation. The data show no steady upward trajectory but rather sporadic inflows, disinvestment episodes and strong year-to-year fluctuations. The widening gap between immediate and ultimate ownership further indicates the importance of intermediary financial centres and regional holding structures. Hungary is thus not a core destination of South African OFDI in Europe; rather, it occupies a secondary, portfolio-diversification position within a CEE- or EU-level strategy, with Poland clearly dominating within the region.

The qualitative findings deepen this picture. The dominance of financialised, commercial real estate investments shapes the overall profile of South African FDI in Hungary. These projects are connected to a regional asset allocation logic (concentrating on the whole CEE region), where yield differentials, regulatory stability and risk diversification drive capital allocation decisions. In our understanding, their relatively limited productive linkages and the ease of capital reallocation explain much of the observed volatility at the macro level. At the same time, the typology developed in the paper highlights important heterogeneity among the investing firms and projects: alongside portfolio-driven real estate and project-based logistics investments, a small number of manufacturing firms and retail actors exhibit stronger local commitment and more durable employment effects. Nevertheless, even these cases show limited integration into local supplier networks and modest upgrading dynamics.

A key finding of the paper lies in demonstrating that push factors from South Africa play a decisive role in shaping outward FDI decisions. Domestic political uncertainty, macroeconomic instability, corruption fatigue and financial system fragilities encourage firms to internationalise defensively. Hungary – and more broadly the EU – is perceived as offering what is "not available at home": institutional stability, enforceable property rights, and access to a large integrated market. In this sense, a significant part of South African FDI in Hungary can be interpreted as risk-diversifying, defensive or "escape" FDI. This finding complements and extends the literature on emerging market multinationals by showing that international expansion serves not only market-seeking or efficiency-seeking purposes, but also functions as a strategy of institutional arbitrage and portfolio-based risk management.

From a Hungarian perspective, the developmental impact of this investment pattern is rather limited. South African FDI does not follow the classic manufacturing-led, export-oriented upgrading path that has characterised Hungary's FDI-based growth model since the 1990s. Instead, it is concentrated in services, retail and real estate, with modest spillover potential and limited contribution to technological upgrading. This reinforces broader concerns about the sustainability of an FDI-dependent growth model that relies on continuous inflows rather than on deepening embeddedness and productivity gains

Overall, the case of South African FDI in Hungary illustrates how emerging multinationals with strong ownership advantages can successfully expand into medium-developed and institutionally stable distant markets, primarily as part of a broader diversification strategy. At the same time, it shows that not all FDI is developmentally equivalent: the qualitative structure of investment – sectoral composition, degree of embeddedness, and strategic motivations – matters at least as much as its aggregate volume. The main limitation of the study is the smallness of the sample (five interviews) and within that the low number of company representatives. Future research could extend this analysis through comparative studies across CEE countries, larger samples of firm-level interviews, and a more systematic assessment of performance and spillover effects over time.

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