



To what extent do cultural dimensions matter? Institutional determinants of Chinese FDI in Europe with Hungarian case studies

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Abstract

This study examines the European distribution of Chinese foreign direct investment (FDI), with a particular focus on the influence of cultural distance alongside structural and institutional factors. Employing a mixed-methods approach, the research is built on three methodological pillars: the analysis of official Chinese FDI statistics, the comparison of Kogut–Singh and Mahalanobis distances calculated using Hofstede’s dimensions, and the qualitative analysis of interviews conducted with executives of four Chinese companies operating in Hungary. The results indicate that the presence of Chinese capital in Europe is highly concentrated. Luxembourg attracts investments as a financial centre, while Western European countries leverage their stable institutional environments, and the Central and Eastern European (CEE) region is gradually integrating into the Chinese investment network. In terms of the population-proportionate number of Chinese enterprises, Hungary ranks in the top half of the 36 countries examined, standing as the only CEE nation in this tier. The research confirms that no significant positive relationship exists between cultural distance and Chinese FDI distribution; countries culturally closer to China record lower FDI values than Western European states with more advanced institutional settings. Interview findings reveal that strategic and economic factors, such as EU market access, infrastructure, and logistical advantages, are decisive in investment decisions. The study concludes that structural and institutional factors are paramount in shaping the European distribution of Chinese capital, whereas cultural distance merely plays a supplementary role.

Keywords Chinese FDI · Cultural distance · Hofstede dimensions · Central and Eastern Europe · Investment promotion

1 Introduction

Over the past decade, the European pattern of Chinese foreign direct investment (FDI) has undergone partial reconfiguration, and although Central and Eastern Europe had previously constituted a significant investment destination, the region’s role in Chinese capital flows has further strengthened in recent years. Whereas Chinese outward investment had previously been concentrated primarily in Western European economies, the recent reorganisation of production chains, diversification of strategic industries, and strengthening of supply-route security have increasingly brought the Central and Eastern European region to the fore (Brugnatelli, 2025; Gottwald-Belinic & Sonora, 2024; Tarrosy & Vörös, 2013). The countries of the region, including Hungary, offer comparative advantages, such as direct access to the European single market, favourable cost structures, and the rapid development of industrial infrastructure and logistics networks (Sass, 2018; Szunomár,

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2011, 2013). In parallel, the strategic significance of Chinese FDI has become increasingly prominent in European economic policy discourse, particularly with regard to the automotive transition, battery manufacturing, and the development of digital infrastructure (Albrechtsen & Borregaard, 2025; Brugnatelli, 2025; Defraigne, 2017). Taken together, these processes justify, from both scholarly and policy perspectives, a detailed examination of the motivations, spatial distribution, and regional embeddedness of Chinese investments, particularly in the Central and Eastern European region, where the intensity of Chinese presence and its economic effects are becoming increasingly significant (Karelis & Kyrkilis, 2024; Matura, 2023; Matura & Szunomár, 2023).

This study explores the structural, cultural, and economic factors shaping the distribution of Chinese capital investments across Member States and candidate countries of the European Union. The analysis draws on official investment statistics published by the Ministry of Commerce of the People's Republic of China, enabling a comparative examination of the temporal and spatial dynamics of investment patterns (Ministry of Commerce of the People's Republic of China, 2024). This macro-level database provides a framework for assessing the cultural distance underlying investment patterns, access to EU markets, and infrastructure-based competitive advantages.

The theoretical point of departure of this study is that the European spatial orientation of Chinese investments depends not only on cultural compatibility but primarily on strategic-economic rationality; that is, destination-country selection is expected to be shaped more strongly by factors such as access to the EU single market, the logistical and regulatory flexibility of the Schengen Area, a favourable tax environment, and the integrative potential of transcontinental infrastructures, such as the Belgrade–Budapest railway line (Dorakh, 2021, 2022; Dreger et al., 2017; Reményi & Csapó, 2021; Rencz, 2023).

International business activity and cross-border managerial decision-making are influenced by differences between national cultures (Hamdan et al., 2025; Kaptan, 2025; Novoselova et al., 2023). However, many studies have reported contradictory findings. In identifying foreign investment locations, Davidson (1980) argues that cultural similarity increases investment propensity, whereas Dunning (1988) contends that greater cultural distance facilitates the overcoming of transaction and market failures and thereby encourages foreign direct investment. Similarly, Kim and Hwang (1992) suggest that MNCs seek lower levels of control in culturally distant countries, while other empirical findings indicate a positive relationship between control and cultural distance (Anastasiu & Chiosa, 2014; Boyacigiller, 1990).

The present analysis proceeds from the assumption that the European distribution of Chinese FDI is shaped primarily by economic, logistical, and institutional considerations; however, within this decision-making environment, cultural distance, as operationalised by Hofstede et al. (2010), may also emerge as an influencing factor (Das & Sahu, 2024). Accordingly, the role of cultural factors is examined not in isolation, but within the broader framework of competing investment-attraction strategies and bilateral economic relations. At the level of corporate decision-making regarding investments in Hungary, it may likewise be assumed that the principal drivers of investment are linked to infrastructural conditions, supplier networks, and market-access considerations, whilst cultural fit is more appropriately interpreted as a supplementary rather than a determining factor (Lengyel & Rechnitzer, 2004).

The primary research question is whether a significant relationship can be identified between cultural distance, interpreted through Hofstede's cultural dimensions, and spatial patterns of Chinese foreign direct investment. In addition to examining these patterns, the study seeks, through the analysis of interview findings, to contribute to a more complex understanding of the strategic motivations and operating logic of Chinese companies operating in Hungary, thereby approaching from another perspective the question of what cultural distance means and may mean in practice. The results are expected to provide a basis for future economic policy decisions and facilitate more effective cooperation between local and international companies in the field of investment promotion.

2 Theoretical framework

2.1 Organisational culture

The examination of organisational culture is warranted in the analysis of Chinese foreign direct investment because the managerial and operational patterns of Chinese firms differ from European organisational practices in several respects. These differences may be reflected in decision-making, the management of hierarchical relations, and styles of communication. All of this may influence the extent to which investments become embedded in the local economic and organisational environment. Hofstede's cultural dimensions make it possible not only to capture differences between national cultures but also indirectly to contribute to the interpretation of challenges arising from organisational practices within Chinese–European economic relations.

The concept of organisational culture has been addressed in the literature through a range of theoretical approaches. Their common point of departure is that culture

is understood as a coherent system of values, norms, and patterns of behaviour that develop within and are shared across an organisation. Organisational culture encompasses the shared values, beliefs, and norms within an organisation that shape behaviour and interactions (Keyton, 2008). The differences between these approaches lie primarily in the particular functions of culture they emphasise and how they conceptualise its formation and operation. In Bakacsi's (2004) interpretation, organisational culture plays a particularly important role in the processes of meaning-making and identity formation. The collectively constructed world of meanings contributes to the ability of organisational members to interpret the functioning of the organisation and recognise its distinctiveness. In this approach, culture constitutes one of the fundamental instruments through which organisational identity is created and maintained. By contrast, Gagliardi (1986) highlights the coordinating and integrative functions of culture. In this interpretation, organisational culture serves to sustain efficiency and internal cohesion. Shared values and norms provide organisational members with identity, continuity, and stability. Schein (2010) regards organisational culture as a system of deeply embedded basic assumptions. These assumptions emerge through the organisation's processes of learning and adaptation and are grounded in earlier successful problem-solving experiences. In this sense, culture provides guidance for future decisions and patterns of organisational behaviour.

Therefore, the differences between these three approaches can primarily be identified in their interpretive emphases. Bakacsi stresses the meaning-making and identity-forming role of culture, Gagliardi focuses on its integrative and performance-supporting functions, whereas Schein emphasises the mechanisms of learning and adaptation. However, these perspectives are not mutually exclusive.

In summary, the meaning-making, integrative, and adaptive functions demonstrate that organisational culture is a complex, multidimensional phenomenon. Culture simultaneously provides an interpretive framework for organisational members, strengthens internal cohesion, and supports adaptation to environmental change.

According to international business literature, corporate and national cultural characteristics may affect the implementation and operational success of foreign investments. Several studies indicate that cultural distance may influence market entry modes, integration processes, and operational efficiency (Hossain et al., 2024; Shao et al., 2013).

This is particularly relevant in the case of Chinese foreign direct investment. It may be assumed that a smaller cultural distance in the Hofstedeian sense may facilitate organisational and institutional adaptation, which in turn may affect both the implementation and operation of investments (Tran & Tran, 2022).

For the purposes of the present study, corporate culture is interpreted as a relatively stable set of values and behavioural norms that characterise a given organisation. This includes leadership style, ethical principles, forms of internal communication, and the organisation's mission. It also encompasses the relationships between management and employees, as well as those among co-workers themselves.

2.2 Hofstede's cultural dimensions and their critique

One of the best-known and most frequently cited figures in intercultural research is Geert Hofstede, whose theory of cultural dimensions captures differences between national cultures in a quantifiable form. The model makes it possible to compare individual cultures within a unified measurement framework. Hofstede (1980) originally described cultural characteristics along four empirically measurable dimensions. The model was later expanded first to five dimensions (Hofstede & Bond, 1988), and then in 2010 by a further dimension (Hofstede et al., 2010). Although the method has been subject to considerable criticism, it remains one of the most widely applied approaches to this day.

According to Gerhart's critique, Hofstede's model of cultural dimensions treats culture in an overly static and reductive manner, while neglecting its dynamic, changing, and context-dependent nature. He argues that the model is unable adequately to capture cultural interactions shaped by globalisation, migration, and transnational relations. Gerhart emphasises that treating national cultures as homogeneous units is problematic, since diversity within societies and internal cultural fault lines play a significant role. Therefore, his critique calls for a reconsideration of the Hofstede paradigm in favour of more complex approaches in contemporary intercultural research (Gerhart & Fang, 2005).

Schwartz's model offers a different approach by focusing on values at the individual level rather than dimensions at the national level. His theory identifies ten basic values that can be grouped into four higher-order value categories: self-enhancement, openness to change, conservation, and self-transcendence. This model provides a more nuanced understanding of cultural values and their effects on behaviour (Masuda, 2018; Schwartz, 1992, 2006).

According to Ailon's (2008) critique, Hofstede's cultural dimensions model is fundamentally rooted in Western normative frameworks, which limits its universal validity. Ailon analysed Hofstede's (1980) *Culture's Consequences* through its own value dimensions by means of a "mirroring" strategy, thereby revealing the underlying political and discursive assumptions of the model. Ailon argued that Hofstede's approach is not merely descriptive but also implicitly evaluative and norm-producing. He concluded that

intercultural research requires a reconsideration of dominant conceptual frameworks and the introduction of stronger norms of reflexivity that go beyond traditional cultural relativism (Ailon, 2008).

The Hofstede model of dimensions is used in the international literature to analyse organisational functioning, leadership styles, and employee motivation (Omrane & Khan, 2024; Schinzel, 2015). Particular attention has also been devoted to studies that have employed the model in the Chinese context, especially in examining the overseas work of Chinese employees (Wenchang et al., 2024). In the Hungarian context, numerous empirical studies have incorporated the dimensions into analyses of workplace values, decision-making mechanisms, and superior–subordinate relations.

2.3 Global trends in Chinese FDI

The dramatic increase in China's weight in the world economy has been one of the most decisive processes of the final decades of the twentieth century and the beginning of the twenty-first century (Horváth, 2021; Nikolić & Petrović, 2020; Shi & Jiang, 2025; Taylor & Jaussaud, 2018). The exceptionally rapid economic growth that began from a very low base not only increased the volume of economic output but also fundamentally transformed China's role in the global economy. In parallel with its economic rise, China's earlier peripheral position gradually evolved into a strategically significant role in the world economy.

China's distinctive model of the market economy became closely intertwined with the processes of globalisation at the same time as its rapid growth. The unique combination of state control and market mechanisms enabled China to gradually integrate into the world economy while preserving its economic policy autonomy (Li & Ding, 2017). This integration emerged not only in the trade sphere but also in the dimension of capital flows.

One of the defining milestones of China's integration into the global market was its accession to the World Trade Organization (WTO) in 2001. Membership opened up new opportunities for access to international markets and contributed to the strengthening of China's position in global trade. At the same time, WTO accession led to the gradual opening of Chinese capital markets to foreign investment, provided that such investments adapted to the specific institutional and regulatory framework of the Chinese economic environment (Francoise, 2013).

2.4 Strategic objectives of the 'One Belt, One Road' initiative

The contemporary global expansion of Chinese capital is closely linked to the 'One Belt, One Road' (OBOR)

initiative, which is regarded as one of China's most comprehensive and ambitious geopolitical and economic strategies (Bhuiyan et al., 2022; Ferdinand, 2016; Horváth, 2020, 2021). The programme is not solely economic in nature but also reflects long-term strategic ambitions aimed at reshaping global relations. At the centre of the OBOR initiative are large-scale infrastructure developments. These are directed primarily towards the construction of railway and road networks, ports, and airports, as well as energy-sector investments, such as hydropower plants and oil pipelines. The purpose of these infrastructure developments is to improve connectivity between regions and increase the efficiency of trade routes. These investments serve both to strengthen China's economic presence and influence and to expand the development opportunities of the participating countries. The projects implemented under the initiative offer alternative sources of finance and technological solutions for infrastructure developments that the affected countries would, in any case, require for their economic growth and modernisation (Yu, 2017). Chinese economic relations therefore do not merely generate new demands but also provide specific responses to pre-existing development needs.

2.5 The role of the European Union in China's external economic strategy

The relationship between China and European states has a long history, marked by considerable historical and political diversity. Since 1998, summits between the European Union and China have been held regularly, with the primary aim of institutionalising strategic dialogue and deepening economic cooperation. At the same time, the relationship between the European Union and China exhibits a structural duality: while the EU seeks to strengthen the partnership on the basis of its economic interests, political and human-rights considerations impose clear limits on the further deepening of relations (Krumbein, 2025; Shambaugh, 2007).

Outside the European Union, China has devoted increasing attention to other Central and Eastern European countries for more than a decade. One of the defining milestones of this process was the launch of the CEE16+1 cooperation mechanism in 2012 (Hszi, 2019), which integrated a broad range of countries in the region into an institutionalised framework of cooperation (Losoncz & Vakhal, 2019). The CEE16+1 initiative included Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Poland, Latvia, Lithuania, Macedonia, Hungary, Montenegro, Romania, Serbia, Slovakia, and Slovenia, thereby covering virtually the entire Central and Eastern European region (Losoncz & Vakhal, 2019; Stanojevic et al., 2021). It later expanded to seventeen with the inclusion of Greece in 2019 and subsequently declined to fourteen following the

withdrawal of Lithuania, Estonia, and Latvia (Kozłowski & Nagy, 2025).

The ‘One Belt, One Road’ (OBOR) initiative announced in 2013 may be regarded as the logical continuation of this process. According to the European Union’s position, Eastern European states may evaluate these investments positively, in line with their own national interests (Heath & Gray, 2018). At the same time, Eszterhai (2019) warns that there is a risk that China may gradually build political influence in these countries through the deployment of economic instruments, which, in the longer term, could lead to a weakening of the European Union’s political cohesion and greater internal divisions (Eszterhai, 2019; Rogers, 2019).

3 Methods

3.1 Research methodology

This study is built on three complementary methodological pillars, with the aim of examining the European presence of Chinese investments in a complex manner at the economic, cultural, and qualitative–empirical levels.

As a first step, we analysed the country-level investment data series published by the Ministry of Commerce of the People’s Republic of China (2024). Based on these data, we identified the extent to which Member States and candidate countries of the European Union had attracted Chinese corporate capital over the past decade. When interpreting the data, particular attention was paid to the geographical distribution and volume of investment, as well as to the relative position of each country, both qualitatively and quantitatively, thereby enabling the statistical examination of investment patterns. To calculate per capita values, we used the 2021 population data uniformly available for the countries under examination (UNECE, 2024).

The following section presents several methodologies for operationalising cultural distance, including approaches that integrate both business and non-business perspectives. The point of departure is the Hofstede model (Hofstede, 1980, 2001; Hofstede et al., 2010), which captures culture along quantifiable dimensions. It is also important to note the existence of alternative dimensional, cluster-based, and network models (De Benedictis et al., 2023; Inglehart & Welzel, 2005; Ronen & Shenkar, 1985), although these are not addressed in the present study. The central methodological considerations of the analysis concern the definition of distance, the logic of measurement, the mode of aggregation, and the treatment of interdependencies between dimensions. In terms of metric operationalisation, the Kogut–Singh index (Kogut & Singh, 1988) is applied, while taking into account its methodological limitations (Kandogan, 2012;

Shenkar, 2001). Accordingly, we used the Kogut–Singh index and its Mahalanobis distance-based correction (Berry et al., 2010; Kandogan, 2012) and subjected these to a more detailed methodological analysis.

The calculations were based on the classical four dimensions: power distance (PDI), individualism (IDV), masculinity (MAS), and uncertainty avoidance (UAI). The dimensions of long-term orientation (LTO) and indulgence (IVR) were excluded because measurements were incomplete for several countries; thus, the comparability of the full sample could not be ensured.

First, we constructed the Kogut and Singh (1988) (KS) index, which standardises the difference between China (CHI) and the given country on each dimension by the variance of that dimension and then averages the results:

$$KS_j = \frac{1}{4} \sum_{i=1}^4 \frac{(I_{i,j} - I_{i,CHI})^2}{V_i}$$

where I_{ij} denotes the score of country j on dimension i , $I_{i,CHI}$ denotes China’s score on dimension i , and V_i is the variance of dimension i . The key assumption of the KS approach is that covariances between dimensions are zero, that is, the dimensions are treated as independent; accordingly, the standardisation relies solely on within-dimension variance.

Second, we calculated the modified Mahalanobis (MM) distance proposed by Kandogan (2012), which also takes into account the empirically observable co-movements between dimensions. The MM index weights the four-dimensional difference vector by the inverse covariance matrix and then divides the result by four to obtain a magnitude comparable to that of the KS index:

$$MM_j = \frac{1}{4} (I_j - I_{CHI})' \sum^{-1} (I_j - I_{CHI})$$

where $(I_j - I_{CHI})$ is the difference vector between country j and China across the four Hofstede dimensions, and Σ^{-1} is the inverse covariance matrix. Its elements are derived from the 4×4 inverse covariance matrix reported in the study.

The rationale for this modification is that significant covariance can be observed between several Hofstede dimensions (e.g. PDI–IDV, PDI–UAI, IDV–UAI), and thus the KS assumption of “zero covariance” is violated. Kandogan (2012) demonstrates that, for this reason, the KS index may in certain configurations produce distortions of even an order of magnitude, resulting in substantial over- or underestimation.

Within the framework of tertiary data collection, we employed semi-structured interviews, which proved suitable for an in-depth exploration of the internal functioning, organisational structure, cultural characteristics, and integration practices of the companies under examination. In preparing the interviews, an interview schedule was developed along predefined thematic units, following the methodological recommendations of Babbie (2013) and Brinkmann and Kvale (2015). The standardised question structure included both open-ended and closed-ended questions, which ensured the comparability of the empirical data and created the opportunity for a detailed elaboration of the interviewees' individual experiences and interpretations. Although the interviews were conducted within predetermined structural frameworks, the research process also allowed room for spontaneous questions organically connected to the responses given, which contributed to a more nuanced and in-depth interpretation of the individual themes.

Full verbatim transcripts were prepared from the audio recordings of the interviews. The empirical material was processed along three main thematic units, with an emphasis on identifying recurring patterns and discernible differences in the responses of the interviewees. No separate qualitative data analysis software was used for the analysis of the interview texts; interpretation was based on manual qualitative analysis of the texts, with the aim of situating the interviewees' experiences and reactions within their broader context.

To ensure the consistent observance of ethical considerations and in the absence of permission required for verbatim quotation, the study primarily sought to provide content-based representation.

3.2 The qualitative research sample

The target group for the research comprised Chinese-owned companies operating in Hungary and employing at least 200 people. In constructing the sample, we sought to include not only recently established firms but also companies with a long-standing presence in the country, thereby ensuring temporal diversity in organisational experience. Potential interviewees were approached with the assistance of the Hungarian Chamber of Commerce and Industry; in addition, direct contact attempts were made by e-mail, although these did not yield results.

The sample was expanded in part through snowball sampling, as representatives of the participating companies recommended further interviewees. Ultimately, the empirical analysis was based on interviews conducted with four companies:

1. CATL (Contemporary Amperex Technology Co. Limited): The company's Debrecen unit is expected to manufacture electric vehicle batteries. The company also operates a factory in Germany.
2. Huawei Technologies Hungary: The company has its centre in Budapest and cooperates with three subcontractors (Kapuvár, Komárom, and Páty). Its activities are diverse and include logistics, research and development (R&D), and manufacturing functions.
3. SEMCORP: The company established its first factory outside of China in Debrecen, where it manufactures separator films used in batteries.
4. SUNWODA: The company is developing its first European site in Nyíregyháza, where it will manufacture electric batteries.

The methodological design of the research follows a multi-stage, sequential analytical logic that makes it possible to provide a complex interpretation of the European presence of Chinese investments. The combination of different types of data and analytical approaches not only complements one another but also serves to validate and contextualise the findings, thereby reducing the biases that may arise from the exclusive use of any single data source or methodology.

The combined application of the three methodological components provides a framework for triangulation: the quantitative data reveal the spatial patterns of Chinese investments, cultural analysis offers interpretive perspectives for understanding these patterns, and interviews make the practical experience of corporate operations accessible. In this way, the research connects multiple levels of analysis and enables a more nuanced examination of the specific characteristics of Chinese presence in Europe.

4 Results

4.1 Comparison of the member states and candidate countries of the European Union with China based on the Hofstede model

Using Hofstede et al.'s (1991) cultural dimensions model, we analysed the cultural characteristics of the Member States and candidate countries of the European Union (Hofstede, 2015). In total, 36 countries were examined based on Hofstede's dimensions; however, it is important to note that data were not available for all dimensions for eight countries, and therefore, the examination of these countries was inherently limited.

In this study, national cultural differences between China (CHI) and European countries were quantified based on the four Hofstede cultural dimensions: power distance (PDI),

individualism (IDV), masculinity (MAS), and uncertainty avoidance (UAI). Cultural distance was estimated using two indices widely applied in the international business literature: (I) the Kogut–Singh indicator (KS4), and (II) Mahalanobis-based cultural distance (MM4), which also takes into account the co-movements (covariances) between the dimensions. The parallel application of the two indices makes it possible to assess both the robustness of the measurement of cultural distance and the potentially distorting effects of dependencies between the dimensions (Table 1).

The results indicate substantial heterogeneity in Europe's cultural distance from China. KS4 values range from 1.069 to 6.144, indicating a more than fivefold difference between the countries that are culturally “closest” to and “most distant” from China. According to both measures, Turkey (KS4=1.069; MM4=1.221) and Slovenia (KS4=1.635; MM4=1.695) are at the top of the ranking, meaning that, across the four dimensions examined, the cultural profiles of these countries are the closest to the Chinese reference values. According to KS4, the “close” country group consists predominantly of Central, Eastern, and South-Eastern European states (e.g. Croatia, the Czech Republic, Lithuania, Bulgaria, and Romania), suggesting that in this region the combination of the PDI–IDV–MAS–UAI dimensions

shows a smaller standardised deviation from the Chinese values.

At the other end of the ranking, Denmark shows the greatest cultural distance according to KS4 (KS4=6.144), followed by Slovakia, Austria, Italy, and Hungary. The MM4 ranking reveals a similar pattern among the “distant” countries; however, the greatest distance is shown by Austria (MM4=5.150) and Denmark (MM4=5.148), followed by Italy and Belgium. This divergence suggests that, for certain countries, taking into account the co-movements between dimensions (MM4) materially alters the magnitude of distance compared with KS4, although the overall picture — that is, which countries belong to the “closer” and “more distant” sets — remains largely stable.

A comparison of the two indicators shows strong consistency in the rankings: the association between KS4 and MM4 values is pronounced, and for the vast majority of countries, the difference in rank amounts to no more than a few positions. This suggests that the principal pattern of “cultural proximity/distance” is robust to the choice of indicator. At the same time, the results also support an important methodological conclusion: ignoring correlations between dimensions may lead to meaningful rank reordering in certain cases. The most striking example is Ireland, which appears in the middle of the KS4 ranking (15th place),

Table 1 Ranking of the examined countries by Kogut–Singh and Mahalanobis-based cultural distance from China. Source: Ministry of Commerce of the People's Republic of China (2024)

Country	KS4 vs. CHI	Rank (KS4 vs. CHI)	MM4 vs. CHI	rank (MM4 vs. CHI)
Turkey	1,069	1	1,221	1
Slovenia	1,635	2	1,695	2
Croatia	2,037	3	2,189	4
Czech Rep	2,093	4	2,209	5
Lithuania	2,163	5	2,335	6
Bulgaria	2,3	6	2,49	8
Romania	2,343	7	2,43	7
Luxembourg	2,359	8	2,787	12
Netherlands	2,363	9	2,785	11
Poland	2,469	10	2,601	9
Latvia	2,741	11	2,969	13
Finland	2,756	12	3,279	17
Serbia	2,806	13	2,998	14
Spain	2,841	14	3,19	15
Ireland	2,855	15	2,171	3
Germany	2,917	16	2,724	10
Sweden	2,929	17	3,4	19
Estonia	3,109	18	3,354	18
France	3,489	19	3,274	16
Malta	3,512	20	4,2	21
Portugal	3,834	21	3,978	20
Greece	3,855	22	4,361	22
Belgium	3,856	23	4,579	25
Hungary	4,309	24	4,405	24
Italy	4,365	25	4,998	26
Austria	4,404	26	5,15	28
Slovak Rep	4,71	27	4,38	23
Denmark	6,144	28	5,148	27

while according to MM4, it is the third closest country to China. This indicates that Ireland's pattern of deviation across the four dimensions has a structure that is penalised less by Mahalanobis-based weighting (covariance correction), whereas KS4 aggregates deviations independently by dimension. A similar, albeit smaller, shift can be observed in the case of Germany (KS: 16th place; MM: 10th place), while Finland and Luxembourg are positioned further from the Chinese reference under the Mahalanobis index than under KS4.

Overall, based on the four-dimensional results, Chinese–European cultural differences cannot be described through a homogeneous “Europe versus China” dichotomy but instead display a differentiated country-specific structure. The resulting ranking and broad value range suggest that, in European operations of Chinese firms, organisational and managerial adaptation challenges are likely to vary depending on the extent to which the cultural profile of the host country differs from that of China across the dimensions of power distance, individualism, masculinity, and uncertainty avoidance.

4.2 The population-proportionate spatial distribution of Chinese enterprises and Chinese FDI in Europe

To undertake a comparative analysis of the European spatial structure of Chinese economic presence, we compared two indicators for 2023 reported by the Ministry of Commerce of the People's Republic of China (2024) with the estimated 2021 population of the countries concerned (UNECE, 2024). Specifically, we normalised both the number of Chinese-owned enterprises (*number of FIEs*) and the value of realised Chinese foreign direct investment (*realised FDI value*) by population. However, these two indicators reflect different underlying logics: whereas *rFDI_pop* expresses the amount of FDI per capita, *FIEs_pop* indicates the number of inhabitants associated with one Chinese-owned enterprise in a given country. Accordingly, in the case of *FIEs_pop*, a lower value signifies a higher concentration of enterprises, whereas a higher value indicates a weaker population-proportionate presence. The joint spatial pattern of the two indicators is illustrated in Fig. 1 by means of a bivariate map, in which the colouring simultaneously represents the relative density of Chinese enterprises and the per capita value of Chinese FDI.

In absolute terms, Chinese-owned enterprises are concentrated most heavily in Germany (12,704), Italy (7,318), France (7,162), the Netherlands (4,269), and Spain (3,111). This ranking reflects the weight of the large-population, advanced Western European economies; however, in itself it is not suitable for capturing the relative presence. The

population-normalised indicator produces a partly different picture: on the basis of *FIEs_pop*, Luxembourg has the highest density of Chinese enterprise presence, with only 1,047.57 inhabitants per enterprise, whilst Cyprus ranks second with a value of 3,084.01. By contrast, in Bosnia and Herzegovina, 203,105.24 inhabitants fall to one Chinese-owned enterprise, indicating the weakest relative enterprise presence among the countries examined. In other words, Cyprus does not rank among the leading countries in terms of the absolute number of firms, but rather because, relative to its small population, the presence of Chinese enterprises is exceptionally dense.

Overall, the territorial pattern of population-proportionate enterprise presence reveals a west–east gradient. More favourable values are concentrated primarily in Western and Northern Europe, whereas higher *FIEs_pop* values — that is, the sparser presence of Chinese enterprises — are more characteristic of the Balkan and Central and Eastern European countries. Hungary is noteworthy from this perspective, as with a value of 10,981.68, it occupies a more favourable position than several other countries in the region. This suggests that the presence of Chinese enterprises in Hungary is shaped not only by a general regional pattern but also by the combined effects of targeted economic policy instruments, the institutional environment, and active investment-promotion strategies.

The population-proportionate value-based distribution of Chinese FDI displays a structure that is partly similar and partly different. Based on *rFDI_pop*, Luxembourg stands out by a considerable margin, with per capita Chinese FDI exceeding USD 11,000. This distinguishes it from all other countries examined by an order of magnitude and suggests that, within the European system of Chinese capital, Luxembourg functions primarily as a financial and holding centre rather than merely as a classical destination for productive investment. The next group comprises the Netherlands, Denmark, Sweden, Ireland, Germany, and France, where higher per capita FDI values are associated with advanced financial markets, stable institutional environments, and predictable regulatory frameworks. For Chinese capital, these countries may represent not only host markets but also regional organising and distribution centres.

Figure 1 shows that the two dimensions of Chinese economic presence do not necessarily move together in every case. There are countries where the population-proportionate density of Chinese-owned enterprises is high, but the realised per capita FDI value is not outstanding, whereas elsewhere capital concentration is stronger than the number of enterprises alone would suggest. The bivariate cartographic representation therefore does not merely illustrate quantitative differences in Chinese presence but also its differing functional forms. Within the Western European core

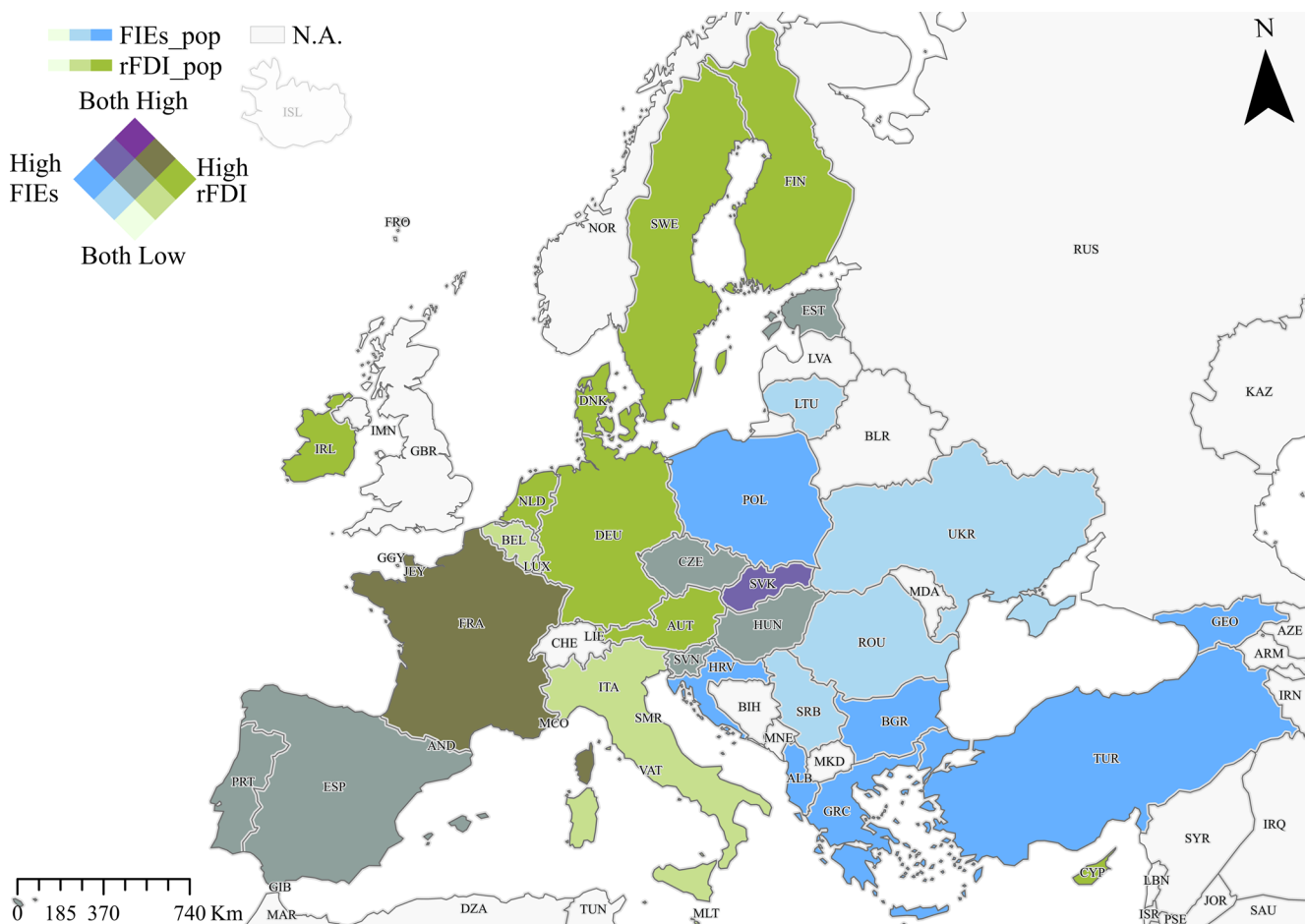


Fig. 1 Bivariate map of the population-proportionate presence of Chinese enterprises (*FIEs_pop*) and the per capita value of realised Chinese foreign direct investment (*rFDI_pop*) in Europe. Source:

Authors' own compilation based on the Ministry of Commerce of the People's Republic of China (2024) and UNECE (2024)

areas, several countries occupy favourable positions simultaneously on both indicators, whereas much of Central and Eastern Europe and the Balkans is associated rather with lower relative values. Hungary occupies an intermediate position in the figure: it has a more favourable enterprise presence than the regional average, yet it does not belong to the Western European financial and capital-concentration centres.

Small island states, particularly Cyprus and Malta, constitute interesting exceptions. In their case, a small population size amplifies the sensitivity of population-proportionate indicators, resulting in a disproportionately high Chinese presence relative to their size. This also highlights that when interpreting population-normalised indicators, country size, financial intermediation functions, and the legal-regulatory environment must all be taken into account.

Certain Central and Eastern European countries, including Hungary, the Czech Republic, and Poland, display more moderate population-proportionate FDI values according to official statistics (Damgaard et al., 2024). This may,

however, be partly distorted by the fact that a proportion of investments with Chinese ownership structures are channelled through intermediary financial centres, such as Luxembourg, Malta, Cyprus, or Ireland, which limits their direct visibility in the statistical systems of the final host countries (Vlcek, 2014). In the case of the Balkans and several Central and Eastern European countries, the lower visibility of realised Chinese FDI may be explained in part by political and institutional risks, market-size constraints, as well as tax-optimization and corporate-structuring practices. Over the longer term, the introduction of the global minimum tax may reduce the importance of such intermediary structures; at present, however, they continue to generate uncertainty in the interpretation of FDI statistics (Abu Dayeh & Janičko, 2021; Dreger et al., 2017).

Based on realised per capita Chinese FDI, Hungary ranks 18th among the 36 countries examined. This suggests that the Chinese economic presence in Hungary is more strongly perceptible on the corporate side than official FDI values alone would imply. This makes it particularly important not

to interpret the Chinese presence in Hungary solely on the basis of aggregate capital data, but also through the lenses of investment motivations, sectoral structure, and the institutional and economic policy context.

A comparison of countries that are closer to one another based on Hofstede's cultural dimensions shows, in relation to both indicators, that cultural similarity alone does not provide a satisfactory explanation for the European spatial structure of Chinese economic presence. The territorial patterns of corporate presence and capital concentration suggest that institutional conditions, financial intermediation roles, market size, the regulatory environment, and state-led investment promotion are stronger explanatory factors. Overall, the results indicate that cultural distance is, at most, a supplementary rather than a decisive factor in the European distribution of Chinese foreign direct investment. Consequently, a more detailed examination of the motivations underlying individual destination countries is warranted, for which Hungary offers a particularly relevant case study setting.

4.3 Explanatory factors behind high-value Chinese investments in Hungary

The empirical findings are organised into three thematic clusters.

1. Location choice and regional strategic factors: This cluster encompasses strategic considerations related to geographical location, with particular attention to market accessibility, economic stability, and labour-market conditions. The results indicate that regional distribution-centre functions, proximity to customers, and integration into European production networks all played a key role in investment decisions.
2. The role of the European Union single market and the Schengen Area in investment decisions: This cluster highlights the influence of the institutional environment, particularly the cost-reducing and operational-efficiency advantages derived from the free movement of goods and production factors. Schengen membership primarily contributed to the acceleration of logistical processes and the predictability of cross-border operations.
3. Infrastructure and logistical considerations, including transcontinental connectivity: This cluster emphasises the importance of transport and logistics infrastructure in investment decisions. Particular significance is attached to access to trade connections between Europe and Asia as well as to multimodal transport networks and industrial park development.

According to the interviews, the establishment of the examined firms in Europe and, in particular, in Central and Eastern Europe, was fundamentally driven by market and customer expectations. At the centre of these decisions were physical proximity to clients and the shortening of supply chains.

In the case of CATL and SUNWODA, the direction of investment was clearly shaped by the demands of European car manufacturers. The localisation of production was a strategic response to the expectation that battery manufacturing should spatially follow automotive assembly. As a global market leader, SEMCORP pursued geographical diversification and closer integration into its customers' European production networks.

A common element is that Hungary is interpreted not as a market in itself, but as a regional distribution and production hub. Corporate decisions are therefore based on the structural advantages provided by European integration and customer-oriented operations.

Regarding regional presence, most firms envisage a single European site. In the cases of CATL, SEMCORP, and SUNWODA, the Hungarian plants appear to be operational pillars of the European supply chain. SUNWODA's fully integrated manufacturing model strengthens the embeddedness of its Hungarian site within the European automotive ecosystem. Clustering and network effects are not merely accompanying phenomena here, but key factors of long-term viability. The analysis of intra-group corporate relations further refines this picture. CATL's parallel European manufacturing structure suggests that Hungary is not a peripheral actor, but a functionally equivalent one to the company's unit in Germany. By contrast, in the case of Huawei, Hungary is integrated into the corporate network not as a manufacturing base, but as a coordination and logistics hub. This difference highlights that investments appearing within the same geographical space may target different segments of the value chain.

The fact of European Union membership also exerted a strong influence on the decision. Based on the responses of SEMCORP, Huawei, and SUNWODA, the single market, free trade, and legal and investment predictability constituted competitive advantages that proved decisive in comparison with alternative non-EU countries. Hungary's central geographical position, together with its EU membership, therefore represented a substantial locational advantage. The comparison with Serbia implicitly points to the weight of EU membership. The role of Schengen membership appears in a differentiated manner. Whereas for CATL, it was EU membership that constituted the key framework condition, in the cases of Huawei and SUNWODA, borderless movement represented a direct logistical and operational advantage.

Closely linked to this is the role of state-led investment promotion policy. Both CATL and SEMCORP emphasised the competitiveness of the Hungarian tax and subsidy system, which represented a strong attraction, especially in comparison with other European countries.

Several closely interconnected structural and strategic factors can explain the decision to locate in Hungary. These decisions were not based on a single reason, but on mutually reinforcing economic, logistical, and institutional conditions. Geographical and logistical endowments emerged as recurring elements in every interview. Hungary's Central European location, together with the development of its road and rail networks, enables the efficient servicing of European target markets, particularly those of Western European manufacturers.

In the selection of the specific site, local factors became more prominent. According to the interviews, infrastructural and logistical considerations appeared not as isolated factors, but as a mutually reinforcing system within investment decision-making. For the companies concerned, physical accessibility, security of supply, and expandability jointly determined Hungary's competitiveness.

The responses of CATL and SUNWODA clearly highlight the significance of multimodal accessibility. In the case of Debrecen, the combined presence of motorway, rail, and air connections provides a degree of logistical flexibility that fits the time-sensitive logic of automotive supplier operations. In Huawei's decision, the quality of infrastructure emerged as a key comparative advantage. The parallel use of maritime, air, and road transport suggests that Hungary is integrated into the company's European supply system not as an endpoint, but as a regional logistics hub. In the case of SUNWODA, the interpretation of infrastructure extends beyond the classical elements of transport. The security of energy and water supply, together with the future expandability of networks, appears to be a basic precondition in the case of a resource-intensive battery manufacturing plant.

5 Summary

This study examined the European distribution of Chinese foreign direct investment, with particular attention to the influence of cultural distance and structural and institutional factors. The research was based on three complementary methodological pillars: the analysis of official FDI statistics published by the Ministry of Commerce of the People's Republic of China, a comparative examination of Kogut–Singh and Mahalanobis distances calculated based on Hofstede's cultural dimensions, and a qualitative analysis of semi-structured interviews conducted with the senior

managers of four major Chinese companies operating in Hungary.

The quantitative analysis highlighted the strong concentration of Chinese capital in Europe. Luxembourg's outstanding role suggests that small-population, highly developed financial centres function primarily as holding and transfer locations within Chinese capital flows, rather than as classical destinations for productive investment (Vlcek, 2014). The high population-proportionate values observed in Western European core countries can be explained by their stable institutional environments and advanced markets, whereas the countries of the Central and Eastern European region, despite their lower absolute values, are gradually becoming integrated into the Chinese investment network, particularly in connection with the restructuring of automotive value chains (Brugnatelli, 2025; Gottwald-Belinic & Sonora, 2024).

In terms of the population-proportionate number of Chinese enterprises, Hungary is located in the upper half of the ranking of the 36 countries examined (10,981.68 persons per Chinese enterprise), appearing as the only Central and Eastern European country within this group. However, based on realised FDI values, Hungary occupies only a middle-ranking position (18th place), lagging behind Western European countries while preceding several states that are culturally closer to China (Hofstede, 2015; Sass, 2018).

The three clusters of explanatory factors identified through the interviews — location choice and regional strategic factors, the role of the EU single market, and infrastructural and logistical considerations — empirically confirm the primacy of strategic economic rationality. In the decisions of the companies interviewed, a central role was played by physical proximity to European automotive clients, the shortening of supply chains, and the legal predictability and free movement guaranteed by the EU single market (Dorakh, 2021; Rencz, 2023). Infrastructural factors do not operate as isolated elements but rather as a mutually reinforcing system (Reményi & Csapó, 2021).

The parallel application of the Kogut–Singh index and Mahalanobis distance also yielded novel results from a methodological perspective. Although the correlation between the two indicators is strong, in the case of certain countries — particularly Ireland — taking into account covariances between the dimensions materially alters the assessment of cultural distance from China (Kandogan, 2012), thereby reinforcing Shenkar's (2001) critique concerning the distorting effects of traditional measurement methods.

6 Conclusions

The central hypothesis of the research — namely, that the European spatial direction of Chinese investment is determined not exclusively by cultural compatibility, but primarily by strategic-economic rationality — was empirically confirmed. No significant positive relationship was identified between cultural distance, as calculated along Hofstede's dimensions, and the distribution of Chinese foreign direct investment. Rather, Central and Eastern European countries that are culturally closer to China generally display lower population-proportionate FDI values than culturally more distant Western European states, which are characterised by more developed institutional environments (Hofstede et al., 2010; Ministry of Commerce of the People's Republic of China, 2024).

Based on the results, the study's most important theoretical conclusion may be formulated as follows: Within the hierarchy of factors shaping the European distribution of Chinese foreign direct investment, structural and institutional factors are primary, whereas cultural distance plays a supplementary, moderating role. This finding partly departs from the assumption of classical international business theories that cultural similarity encourages investment (Davidson, 1980), whilst being closer to Dunning's (1988) eclectic paradigm, which emphasises the combined operation of ownership, location, and internalisation advantages. In the case of Chinese investment, locational advantages — particularly access to the EU market, advanced infrastructure, and a favourable regulatory environment — override the potential adaptation costs arising from cultural distance.

The case of Hungary also demonstrates that the presence of Chinese capital is determined not by cultural similarity alone, but by a more complex system of factors. The country's relative success in regional comparisons can be explained by its ability to present a combination of structural factors — favourable geographical location, advanced logistics infrastructure, an investment-promotion system, and EU membership — as an attractive package for Chinese investors (Matura, 2023; Szunomár, 2013). For practical economic policy, this suggests that, in attracting Chinese capital investment, the cultivation of cultural relations alone is insufficient; the development and communication of the structural factors underpinning long-term investment decisions are at least equally decisive.

Among the limitations of the research, it should be noted that Chinese ministerial statistics contain detailed data on Central and Eastern European countries only from 2021 onwards, which restricts the possibility of a long-term time-series analysis (Ministry of Commerce of the People's Republic of China, 2022, 2023, 2024). In addition, the statistical representation of investments structured through

intermediary financial centres may distort the actual FDI values of the final host countries (Damgaard et al., 2024). For future research, it would be advisable to undertake a deeper analysis of firm-level data, examine the effects of the introduction of the global minimum tax on intermediary structures, and extend the qualitative sample to Chinese firms operating in additional countries.

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Data availability The data used in this study are publicly available from Geert Hofstede's Dimension data matrix. The analysis relies on the base scores for the six cultural dimensions as provided on the official website, corresponding to the version used in the authors' books and published as the 2015-12-08 release. The dataset is available for download in CSV and XLS formats, and the website states that researchers may use these data without requesting permission. <https://geerthofstede.com/research-and-vsm/dimension-data-matrix/>.

Declarations

Competing interests The authors declare no competing interests.

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