

## **Budapest Renminbi Initiative 2016 Conference**

Your Excellency,  
Mr. Deputy Governor, Distinguished Guests

It is an honour to be here at this conference today and to have the opportunity to share a few ideas about the economic and trade relations between Hungary and China.

**One of the most important pillars of the “Opening to the East” policy** of the Hungarian Government is the establishment of a long-term win-win relationship with the People’s Republic of China. One of the main components of this comprehensive policy is the development of the bilateral economic and financial cooperation.

**We are glad to see that the “Opening to the East” policy** complements the Chinese “One Belt, One Road” initiative, which also considers cooperation on financial and economic areas as a priority. Hungary expressed several times her intention to participate in the One Belt, One Road initiative. Hungary has become the first European country to sign a cooperation agreement for China's new "Silk Road" initiative to develop trade and transport infrastructure across Asia and beyond. The countries' foreign ministers signed a memorandum of understanding for what is formally known as the "One Belt, One Road" project in Budapest last summer.

**According to the statistical data of 2015**, China ranked first among the “Opening to the East” countries in terms of bilateral trade and was one of the many countries, where both the volume of our export and our bilateral trade in euros set new records. In terms of trade volume in Central-Eastern Europe, Hungary was ranked third behind Poland and the Czech Republic last year, while in terms of export, we were ranked second behind Poland.

**In the first two months of 2016**, the Hungarian export towards China increased by more than 21%. The export of food and agricultural products has also seen dynamic development, and in the first two months of 2016, it grew to 8 million dollars.

**Hungary’s central bank** has signed a three-year bilateral foreign currency swap framework agreement worth 10 billion yuan (EUR 1.23 billion) with the People’s Bank of China. The deal’s main goal is to finance domestic market participants’ activities where needed but also supports bilateral trade and investment cooperation

**In order to provide the best business environment** for the Chinese companies starting their journey along the New Silk Road to the West, Hungary can offer:

- 1) in the field of higher education the dual education system has been introduced to improve educational standards (combines apprenticeships in a company and vocational education in one course)
- 2) the new Hungarian Labour Code is quite flexible when compared internationally, the Hungarian labour market shall be ‘one of the most flexible in the world’ in order to decrease the administrative burdens of companies.
- 3) Hungary is an excellent low-tax environment for doing business in Europe: a corporate tax of 10% (until 500 MHUF) or 19% (above 500 MHUF) must be paid on the taxable income.

**We are glad to see that during the past few years many Chinese enterprises** have chosen Hungary as their entry point to the European markets. Hungary was the region's leading target country with more than 3.5 billion dollar worth of foreign direct investments. The biggest Chinese companies like Huawei and Wanhua employ more than 6000 people.

**Huawei and Wanhua has both established their regional centre** in our country and these are the two companies from Mainland China that has already signed a strategic partnership agreement with the Hungarian Government in April 2013 and in February 2014. Moreover, Hong Kong based Johnson Electric had also signed a strategic agreement in July 2015.

There are other new prominent Chinese companies that have noted the favourable logistical and infrastructural conditions of Hungary, like Yanfeng Automotive Interiors and Bohong Group, two of the world's biggest automotive suppliers. We are looking forward to have other Chinese companies as well.

**The Bank of China**, which has been present in our country since 1997, is our key partner in promoting investments in Hungary. We are proud that in December 2014, the Bank has established its regional centre in Budapest, and coordinate the Bank of China's regional expansion from Budapest. In 2015, the Budapest centre was designated as the Central European region's renminbi clearing centre, the first such a centre located in Europe but outside the Eurozone.

**Besides the financial sector**, Hungary also supports the enhancing of the China-Central and Eastern Europe cooperation in other areas, such as infrastructure development. Hungary is an active participant of the cooperation's flagship project, the modernisation of the Budapest-Belgrade railway line. Upon completion, this route will become the fastest one for transportation of goods to the Western European markets by ship from the Eastern part of China.

**In 2015 Prime Minister Mr. Viktor Orbán and Bank of China Chairman Mr. Tian Guoli** signed the MoU on the issuance of renminbi-denominated government bonds. The signing of the document is a major milestone, as Hungary is the first country in the Central and Eastern European region to issue a renminbi bond. In 2016 Hungary issued Yuan-denominated government securities of CNY 1bn, or EUR 136.8 million, on the Chinese market and they were oversubscribed by more than two times.

**I am confident** that the above mentioned steps will strengthen the political, economic, and cultural relations between the two countries.

Thank you very much for your attention!