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# THE BRI IN EUROPE AND THE BUDAPEST-BELGRADE RAILWAY LINK

*Flora Rencz*  
*Junior Researcher, EIAS*

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## Abstract

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Increasing Chinese influence in Europe has been a growing source of anxiety in Brussels in recent years. This paper seeks to better understand these exacerbated fears through the case of the Budapest-Belgrade railway link refurbishment. The project is part of the 17+1 Cooperation and the Belt and Road Initiative (BRI). It had been announced in 2013 but was stalled on the Hungarian side until 2019 due to EU tender regulations. This paper provides an overview of the Budapest-Belgrade case's timeline and details. It also analyses the challenges arising during the execution of the project, particularly focusing on political concerns from Brussels, feasibility issues, and the reception of the refurbishment by the Hungarian public. The paper also sheds light on how the project progressed differently on the Hungarian side as it did on the Serbian side as a non-EU member, due to the EU's intervention. The railway link is a great case study to gain a better understanding of the BRI and the implications of China's growing influence as a global actor for the EU and its neighbours.

## Introduction

In November 2013, Chinese Premier Li Keqiang, Serbian Prime Minister Ivica Dačić, and Hungarian Prime Minister Viktor Orbán announced plans to modernise the railway link between Budapest and Belgrade.<sup>1</sup> The project was retrospectively labelled part of China's multilateral cooperation with the Central and Eastern European (CEE) countries, the so-called 17+1 Cooperation (since Greece joined in 2019),<sup>2</sup> hence making it a Belt and Road Initiative (BRI) project. The railway refurbishment was met with a mixture of anxiety and criticism in Brussels and the United States (U.S.) and has also been the topic of many debates in the Hungarian media. The purpose of this paper is to use the Budapest-Belgrade railway project as a case study to understand the most commonly occurring challenges associated with BRI projects. This includes national and supranational anxieties about growing Chinese influence and consequential actions to hinder it, as well as corruption in the host countries, feasibility concerns, and even the necessity of these projects. The paper also aims to understand China's evolving role in global politics. The railway link is the first BRI project in the European Union (EU), and is therefore widely considered to be an emblem of growing Chinese influence in Europe, and particularly CEE countries. Finally, the paper attempts to provide an accurate overview and timeline of the case, as, due to the secrecy surrounding the project, some reports on the railway link, both Hungarian and English, were factually incorrect.

## Details of the project

The entire railway line is approximately 350 kilometres long,<sup>3</sup> with the Hungarian stretch between Soroksár and Kelebia measuring 152 kilometres.<sup>4</sup> Plans include upgrading the running speed of trains on the line to 160 km/h as well as adding a second line track.<sup>5</sup> As opposed to the Hungarian government's initial plans, the railway link is not going to be upgraded to a high-speed railway. According to the plans, 85 per cent of costs related to the construction of the Hungarian stretch is to be financed by loans from the state-owned Chinese Export Import Bank.<sup>6</sup>

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<sup>1</sup> Zhonghua Renmin Gongheguo Zhongyang Renmin Zhengfu [The Central People's Government of the People's Republic of China], 'Li Keqiang Yu Xiongyali Zongli, Sai'erweiya Zongli Xuanbu Hezuo Jian Xiong Sai Tielu' [Li Keqiang, the Prime Minister of Hungary, and the Prime Minister of Serbia Announce Cooperation to Build a Railway Connecting Hungary and Serbia], 26 November 2013, Retrieved from [http://www.gov.cn/ldhd/2013-11/26/content\\_2534550.htm](http://www.gov.cn/ldhd/2013-11/26/content_2534550.htm).

<sup>2</sup> This paper uses the term 17+1 Cooperation, even when referring to the earlier form of the Cooperation called the 16+1 Cooperation, only consisting of 16 countries.

<sup>3</sup> Arthur Beesley, Andrew Byrne, and James Kynge, 'EU Sets Collision Course with China over "Silk Road" Rail Project', *Financial Times*, 20 February 2017, Retrieved from <https://www.ft.com/content/003bad14-f52f-11e6-95ee-f14e55513608>.

<sup>4</sup> 'Hungary-Budapest: Railway Construction Works', *TED Tenders Electronic Daily*, 28 November 2017, Retrieved from <https://ted.europa.eu/udl?uri=TED:NOTICE:475836-2017:TEXT:EN:HTML&src=0&tabId=1>.

<sup>5</sup> 'Hungary-Budapest: Railway Construction Works'.

<sup>6</sup> Ministry of Finance, 'Finance Minister Holds Negotiations on Budapest-Belgrade Railway Line Project in China', 9 April 2019, Retrieved from <https://www.kormany.hu/en/ministry-for-national-economy/news/finance-minister-holds-negotiations-on-budapest-belgrade-railway-line-project-in-china>.

In spite of often being referred to as a single project, the Budapest-Belgrade railway link in reality consists of two separate projects, as the Chinese government signed two separate bilateral agreements with Hungary and Serbia. This paper predominantly deals with the case of the Hungarian stretch but in some aspects does use the Serbian section of the railway as a juxtaposition.

## How does the railway link fit into the 17+1 Cooperation?

China had been ruffling feathers with its European projects even before the launch of the BRI. In 2012, a cooperation framework was announced between China and 16 Central and Eastern European countries,<sup>7</sup> the so-called 16+1 Cooperation.<sup>8</sup> In 2019, the Cooperation became the 17+1 Cooperation, when Greece announced it would join the initiative.<sup>9</sup> Just like numerous other projects, the 17+1 Cooperation was retrospectively labelled a part of the BRI. How China has been tightening economic ties with core BRI countries since the early 2000s has been explored before. Empirical evidence suggests that the launch of the BRI did not kickstart these projects overnight, rather it brought together a loose set of projects under one umbrella.<sup>10</sup>

The 17+1 Cooperation is part of a larger pattern of Chinese-led regional multilateralism,<sup>11</sup> consisting of forming regional sub-groupings and using existing ones to gain political leverage from the local political hierarchisation.<sup>12</sup> Some more prominent examples of this are the Forum on China-Africa Cooperation (FOCAC) and the China-CELAC Forum (CCF) in Latin America.<sup>13</sup> In the specific case of the 17+1 Cooperation, China is capitalising on the economic, political, and historical division between Western and Eastern member states, as well as the tension between the EU and prospective member states in the Balkans. Central and Eastern Europe has been lagging behind Western Europe economically, and even though some of these countries' economic progress was accelerated by their accession to the EU, the 2008 global financial crisis hit Eastern Europe, EU member and non-member states alike, and particularly hard. No wonder that China's offer of preferential loans and lower environmental standards for projects became tempting for the region.

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<sup>7</sup> Zhonghua Renmin Gongheguo Waijiaobu [Ministry of Foreign Affairs of the People's Republic of China] 'Zhongguo-Zhongdongou Guojia Lingdaoren Huiwu' [Meeting of Chinese and Central and Eastern European Leaders]', 26 April 2012, Retrieved from [https://www.fmprc.gov.cn/web/wjb\\_673085/zzjg\\_673183/dozys\\_673577/dqzzyos\\_673581/shhz\\_602834\\_2/gk\\_602836/](https://www.fmprc.gov.cn/web/wjb_673085/zzjg_673183/dozys_673577/dqzzyos_673581/shhz_602834_2/gk_602836/).

<sup>8</sup> Gisela Grieger, 'China, the 16+1 Format and the EU', European Parliamentary Research Service, September 2018, Retrieved from [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_BRI\(2018\)625173](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2018)625173).

<sup>9</sup> Zhongguo Renmin Gongheguo Guowuyuan [State Council of the People's Republic of China], 'Xila Ru Qun! "16+1" Shengji Wei "17+1" [Greece Joined! "16+1" Expands to "17+1"]', 13 April 2019, Retrieved from [http://www.gov.cn/xinwen/2019-04/13/content\\_5382546.htm](http://www.gov.cn/xinwen/2019-04/13/content_5382546.htm).

<sup>10</sup> Cristina Constantinescu and Michele Ruta, 'How Old Is the Belt and Road Initiative?' (World Bank Group, MTI Practice Note, December 2018), Retrieved from <http://documents.worldbank.org/curated/en/984921545241288569/How-Old-is-the-Belt-and-Road-Initiative-Long-Term-Patterns-of-Chinese-Exports-to-BRI-Economies>.

<sup>11</sup> Jakub Jakóbowski, 'Chinese-Led Regional Multilateralism in Central and Eastern Europe, Africa and Latin America: 16 + 1, FOCAC, and CCF', *Journal of Contemporary China* 27, no. 113 (3 September 2018): 659–73.

<sup>12</sup> Alfred Gerstl, 'China's New Silk Roads. Categorising and Grouping the World: Beijing's 16+1+X European Formula', *Vienna Journal of East Asian Studies* 10 (1 December 2013): 31–58.

<sup>13</sup> Jakóbowski, 'Chinese-Led Regional Multilateralism in Central and Eastern Europe, Africa and Latin America'.

In the early 2010s, Hungary was particularly favoured by China in its endeavours to expand its political and economic influence in Europe. Chinese investments surged in the country between 2010 and 2012 with Wanhua International investing 2.4 billion EUR in 2010 and 2011, as well as Huawei investing 1.7 billion EUR in 2012.<sup>14</sup> This trend was partly due to the two countries' longstanding and good relations, partly due to Hungarian foreign policy. Many credit the success of attracting Chinese investments in the early 2010s to the Orbán-administration's so-called "Eastern Opening policy",<sup>15</sup> which aims to foster closer economic ties with countries such as China and Russia. It is important to note, however, that previous administrations already started boosting economic ties with China as early as 2003,<sup>16</sup> thus relations had been warming for over a decade and a half.

## The rationale of the project

Many consider the Budapest-Belgrade railway link a means for China to create a solid foundation for its political and economic presence in Central - Eastern Europe and Europe.<sup>17</sup> However, it is worth mentioning that the refurbishment of the Budapest-Belgrade link did not come entirely out of the blue. There had been plans in Europe since the 1990s to eventually refurbish the line<sup>18</sup> due to its strategic role as a connecting link between the Balkans and Western Europe.<sup>19</sup> The strategic importance of the railway link for the EU lies in the fact that it constitutes Branch B of the Pan-European Corridor X, which used to be a significant link between Greece, Yugoslavia, and Europe. Conflicts in the Balkans disrupted connectivity in the region, but the EU has been working on reactivating and rehabilitating Corridor X in the past decades, considering it a 'very good example of a large scale regional cooperation.'<sup>20</sup> Yet, a study overviewing the progress of the refurbishment of Corridor X found that between 2000 and 2012, the EU mostly focused on the improvement of motorways rather than railways, predominantly due to a lack of financing, slackening demand after the global financial crisis, and competition posed by road transportation.<sup>21</sup> There had been media reports on plans from

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<sup>14</sup> The Heritage Foundation, 'China Global Investment Tracker', August 2019, Retrieved from <http://www.aei.org/china-global-investment-tracker/>.

<sup>15</sup> Liang Yuan, "'Yi Dai Yi Lu" Zhutui Zhong Xiong Jingmao Hezuo Maixiang Geng Gao Shuiping' [The Belt and Road Initiative to Further Boost China-Hungary Trade Relations], 20 May 2019, Retrieved from [http://m.xinhuanet.com/2019-05/21/c\\_1124522840.htm](http://m.xinhuanet.com/2019-05/21/c_1124522840.htm).

<sup>16</sup> Tamás R. Mészáros, 'Magyarország lett Kína kapuja, csak Kína nem tud róla' [Hungary has become the new gate to China, except China is unaware of this], 8 February 2017, Retrieved from [https://index.hu/gazdasag/2017/02/08/kina\\_magyar\\_kapcsolat\\_orban\\_longform/](https://index.hu/gazdasag/2017/02/08/kina_magyar_kapcsolat_orban_longform/).

<sup>17</sup> Marcin Kaczmarek and Jakub Jakóbski, 'China on Central-Eastern Europe: "16+1" as Seen from Beijing' (Centre for Eastern Studies, 15 April 2015), Retrieved from [https://www.osw.waw.pl/sites/default/files/commentary\\_166.pdf](https://www.osw.waw.pl/sites/default/files/commentary_166.pdf).

<sup>18</sup> 'Conformity of the AGC Rail Lanes with the Parameters of Annex II of the AGC' (United Nations Economic and Social Council, 8 August 1994), Retrieved from <https://documents-dds-ny.un.org/doc/UNDOC/DER/G94/230/85/PDF/G9423085.pdf?OpenElement>.

<sup>19</sup> European Commission, 'Commission Underlines the Importance of Pan-European Corridors (IP/01/522)', European Commission Press Release Database, 6 April 2001, Retrieved from [http://europa.eu/rapid/press-release\\_IP-01-522\\_en.htm](http://europa.eu/rapid/press-release_IP-01-522_en.htm).

<sup>20</sup> European Commission.

<sup>21</sup> Marios Miltiadou et al., 'Pan-European Corridor X Development: Case of Literal Implementation of the European Transport Strategy Itself or of Change of the General Environment in the Region?', *Procedia - Social and Behavioral Sciences*, Transport Research Arena 2012, 48 (1 January 2012): 2361–73.

the Hungarian and Serbian governments to modernise the line months before the announcement of China's official involvement in the project, but the Hungarian side already expressed its intention to secure funding as part of the 17+1 Cooperation.<sup>22</sup>

Overall, the strategic importance of the railway link for China lies in four main factors: 1) it connects the Balkans to the EU, hence providing direct access to the common market; 2) it is part of a longer line connecting Piraeus to Budapest, thus constituting a salient channel for Chinese goods arriving in Europe; 3) the project functions as a supporting pillar to the 17+1 Cooperation; and 4) it serves as a reference of Chinese railway-construction capabilities, which could pave the way for future Chinese projects within the borders of the EU.

The railway link is one of several ongoing and completed Chinese infrastructure projects in the Balkans,<sup>23</sup> and the first to penetrate the EU. In order to keep Chinese products competitive in the European market, China has been carrying out numerous projects to shorten freight time to Europe. Due to these projects, Chinese products are now able to enter Europe via Greece, as opposed to the previous trading routes through Western European ports such as Rotterdam, Antwerp, and Hamburg. This means that total transit time decreased from 30 to 20 days.<sup>24</sup> The refurbishment of the Budapest-Belgrade link is another step in the direction of shortening shipping times. The railway link would cut freight-time between Belgrade and Budapest from eight to three hours<sup>25</sup> and is part of a larger project aiming to connect Budapest-Belgrade-Skopje-Athens, called the China-Europe Land-Sea Express Line.<sup>26</sup> In 2017, as part of the project, China also acquired the port of Piraeus, ten kilometres outside of Athens, through COSCO (a prominent Chinese SOE),<sup>27</sup> and consequently transformed it into the most salient port of entry for Chinese goods to Europe.<sup>28</sup>

The Hungarian government rationalised the project by arguing that Hungary can take advantage of its geographical location as a connecting link between China and the EU with the upgraded railway line. They also asserted that the railway provides the best alternative for transporting Chinese products into the EU, thus ensuring a high return on investment.<sup>29</sup> The Hungarian government also used the project to exert political leverage in the 2020-2027 EU budget negotiations, with Prime Minister Viktor Orbán explicitly stating 'if the EU cannot provide us with financial support, we will turn to China.'<sup>30</sup> In July 2019, the Hungarian

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<sup>22</sup> HVG, 'Kétvágányúvá tennék a vasutat Belgrád és Budapest között', [Plans to upgrade the Budapest-Belgrade link to a double-track railway] HVG, 8 March 2013, Retrieved from [https://hvg.hu/gazdasag/20130308\\_ketvaganyanyu\\_vasut\\_belgrad\\_budapest](https://hvg.hu/gazdasag/20130308_ketvaganyanyu_vasut_belgrad_budapest).

<sup>23</sup> Plamen Tonchev, 'China's Road: Into the Western Balkans' (European Union Institute for Security Studies (EUISS), February 2017), Retrieved from <https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief%203%20China%27s%20Silk%20Road.pdf>.

<sup>24</sup> Dragan Pavličević, 'China's Railway Diplomacy in the Balkans', China Brief 14, no. 20 (23 October 2014): 9.

<sup>25</sup> Zou Lei, *The Political Economy of China's Belt and Road Initiative* (World Scientific, 2018). 263.

<sup>26</sup> Lei. 274.

<sup>27</sup> Jason Horowitz and Liz Alderman, 'Chastised by E.U., a Resentful Greece Embraces China's Cash and Interests', *The New York Times*, 26 August 2017, Retrieved from <https://www.nytimes.com/2017/08/26/world/europe/greece-china-piraeus-alexis-tsipras.html>.

<sup>28</sup> Pavličević, 'China's Railway Diplomacy in the Balkans'.

<sup>29</sup> Ministry of Foreign Affairs and Trade of Hungary, 'Intergovernmental Agreement on the Modernisation of the Belgrade-Budapest Railway Line Has Been Initialled in Beijing', 20 November 2015, Retrieved from <https://www.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/intergovernmental-agreement-on-the-modernisation-of-the-belgrade-budapest-railway-line-has-been-initialled-in-beijing>.

<sup>30</sup> HVG, 'Orbán: Ha az EU nem ad pénzt, Kínától kérünk' [Orbán: if the EU does not give us money, we will ask for it from China], HVG, 10 January 2018, Retrieved from [https://hvg.hu/gazdasag/20180110\\_orban\\_viktor\\_berlin](https://hvg.hu/gazdasag/20180110_orban_viktor_berlin).

Minister for Innovation and Technology, László Palkovics, said that the project shows how Europe can cooperate with China as well as how CEE countries can work together. Chinese Minister of Foreign Affairs, Wang Yi, argued that the railway link is a great opportunity for Hungary to become a Eurasian logistics hub as well as to assume a connecting role in China-Europe relations.<sup>31</sup>

## Problems with the project

One of the most salient issues with the project is the gradually increasing expenditure associated with the already extremely expensive railway link. There are only estimates of the entire cost of the railway link available, as until construction is completed, costs can – and are likely to – keep on increasing. According to initial estimates, the refurbishment of the railway link would have cost 1.5 billion EUR, but due to the Hungarian government's concurrent plans to link the project to their bid for hosting the 2024 Olympic Games, the costs quickly rose to 1.7 billion EUR.<sup>32</sup> The current price of the Hungarian stretch amounts to approximately 1.9 billion EUR, based on the value of contracts published by the Hungarian company that won the tender.<sup>33</sup> This officially makes it the most expensive railway project ever to be executed in Hungary.<sup>34</sup>

In spite of the initial announcement whipping up public opinion with the excessive costs in November 2013, news about the project mostly died down in 2014. In 2015, the China Railway Group Limited published an announcement, that as part of the 17+1 Cooperation, they would build the railway link between Budapest and Belgrade.<sup>35</sup> This implies that the government initially planned to have the project exempted from EU competition laws.<sup>36</sup> In May 2016, however, the Minister of the Prime Minister's Office, János Lázár, acknowledged at a press conference that the European Commission (EC) might start an investigation into the railway link for procurement quandaries and unlawful state aid.<sup>37</sup> Later that month, Wang Xiaotao, Deputy Director of China's National Development and Reform Commission (NDRC), agreed with Hungarian Foreign Minister Péter Szijjártó to come up with a legal solution to make the

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<sup>31</sup> Zhonghua Renmin Gongheguo Waijiaobu [Ministry of Foreign Affairs of the People's Republic of China], 'Wang Yi: Zhong Xiong Yao Duijie "Yi Dai Yi Lu" He "Xiang Dong Kaifang"' [Wang Yi: China and Hungary to Connect the Belt and Road Initiative and the Eastern Opening], 6 June 2015, Retrieved from [https://www.fmprc.gov.cn/mfa\\_chn/zyxw\\_602251/t1271037.shtml](https://www.fmprc.gov.cn/mfa_chn/zyxw_602251/t1271037.shtml).

<sup>32</sup> HVG, 'Sokba fáj majd a magyar adófizetőknek a kínai gigahitel' [The massive Chinese loan will cost a lot for Hungarian taxpayers], HVG, 4 November 2016, Retrieved from [https://hvg.hu/gazdasag/20161104\\_belgrad\\_budapest\\_vasutvonal\\_felujitas\\_kinai\\_gigahitel](https://hvg.hu/gazdasag/20161104_belgrad_budapest_vasutvonal_felujitas_kinai_gigahitel).

<sup>33</sup> 'Extraordinary Announcement' (Opus Global PLC, 12 June 2019), Retrieved from [https://opusglobal.hu/download/271/v-3-extraordinary-announcements/5318/opus\\_hirdetmeny\\_crekonzorcium\\_kozbesz\\_eng\\_20190612.pdf](https://opusglobal.hu/download/271/v-3-extraordinary-announcements/5318/opus_hirdetmeny_crekonzorcium_kozbesz_eng_20190612.pdf).

<sup>34</sup> István Váczi, 'Kiderült, hogy sokkal drágább lesz, minden rekordot megdönt a Budapest-Belgrád vasút magyar szakasza' [The Hungarian stretch of the Budapest-Belgrade railway link will be more expensive than planned, will break all records], G7, 12 June 2019, Retrieved from <https://g7.hu/kozelet/20190612/kiderult-hogy-sokkal-dragabb-lesz-minden-rekordot-megdont-a-budapest-belgrad-vasut-magyar-szakasza/>.

<sup>35</sup> 'Zhongguo Zhongtie Lianhe Jianshe Xiong Sai Tielu' [China Railways to Build Hungarian-Serbian Railway Jointly], Zhongguo Zhongtie Gufen Youxian Gongsi [China Railway Group Limited], 3 December 2015, Retrieved from <http://www.crecg.com/chinazt/36/3686/7108/index.html>.

<sup>36</sup> István Váczi, 'Aláírták az 500 milliárdos szerződést a projektről, amire nincs szükség' [The contract for a 500-billion project that we do not need was signed], G7, 6 June 2019, Retrieved from <https://g7.hu/kozelet/20190606/alairtak-az-500-milliardos-szerzodeset-a-projektrol-amire-nincs-szukseg/>.

<sup>37</sup> 'Lázár: Fényes Győzelmet Arattunk', Portfolio, 5 May 2016, Retrieved from <https://www.portfolio.hu/gazdasag/lazar-fenyes-gyozelmet-arattunk.231412.html>.

project conform to European regulations.<sup>38</sup> The significance of this announcement was underpinned in February 2017, when the Financial Times reported on the ongoing investigation by the EC into the railway link. The EC approached the matter from a financial viability angle, as well as an investigation on whether it had violated EU laws by not calling for a public tender.<sup>39</sup>

Following the emergence of procurement concerns, the Hungarian government called for a public tender. The first round was announced in November 2017.<sup>40</sup> As the best offer turned out to be more expensive than expected at 2.1 billion EUR,<sup>41</sup> the government decided to repeat the tender.<sup>42</sup> The second tender was consequently announced in February 2018. The two consortia that bid in it were both made up of a partnership between Hungarian and Chinese companies.<sup>43</sup> Ultimately, the CRE Consortium won the tender, which apart from Hungarian companies includes ZTE and other major Chinese SOEs, as well as Huawei, as subcontractors.<sup>44</sup>

## Anxieties about the project

After the project's initial announcement, most concerns were centred on the financial construction offered by China. Notably, 85 per cent of costs were covered by Chinese loans<sup>45</sup>, with return on investment taking a substantial amount of time. Based on pessimistic calculations it would take 2400 years for the investment to return, while the more optimistic and moderate calculations put the number around 130 years.<sup>46</sup> Concerns were further exacerbated by the government's reactions to enquiries. First, they refused to comment on the concerns about the return of investment.<sup>47</sup> Afterwards, they classified the feasibility study

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<sup>38</sup> Ministry of Foreign Affairs and Trade of Hungary, 'Péter Sziijártó Holds Talks on the Modernisation of the Budapest-Belgrade Railway Line', 31 May 2016, Retrieved from <https://www.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/peter-szijjarto-holds-talks-on-the-modernisation-of-the-budapest-belgrade-railway-line>.

<sup>39</sup> Beesley, Byrne, and Kynge, 'EU Sets Collision Course with China over "Silk Road" Rail Project'.

<sup>40</sup> 'Hungary-Budapest: Railway Construction Works'.

<sup>41</sup> The exchange rate used for the conversion of Forint to Euro throughout this paper is 325 HUF=1 EUR.

<sup>42</sup> HVG, 'Drágállja a kormány a Budapest-Belgrád-vasútvonalat, új eljárás jön' [The government thinks the Budapest-Belgrade railway link is too expensive, calls for a new tender], HVG, 19 December 2018, Retrieved from [https://hvg.hu/gazdasag/20181219\\_Dragallja\\_a\\_kormany\\_a\\_BudapestBelgrad\\_vasutvonalat\\_uj\\_eljaras\\_jon](https://hvg.hu/gazdasag/20181219_Dragallja_a_kormany_a_BudapestBelgrad_vasutvonalat_uj_eljaras_jon).

<sup>43</sup> HVG, 'Sziijártó: Öt év múlva kész kell legyen a Budapest-Belgrád-gyorsvasút' [Sziijártó: the Budapest-Belgrade high-speed railway must be ready in five years], HVG, június 2018, Retrieved from [https://hvg.hu/kkv/20180608\\_Szijjarto\\_Ot\\_ev\\_mulva\\_kesz\\_kell\\_legyen\\_a\\_BudapestBelgrad\\_gyorsvasut](https://hvg.hu/kkv/20180608_Szijjarto_Ot_ev_mulva_kesz_kell_legyen_a_BudapestBelgrad_gyorsvasut).

<sup>44</sup> Brigitta Csikász and Anita Kőműves, 'Mészáros & Family, Huawei and ZTE to Profit from Budapest-Belgrade Railway Reconstruction', Átlátszó, 12 June 2019, Retrieved from <https://english.atlatszo.hu/2019/06/12/meszaros-family-huawei-and-zte-to-profit-from-budapest-belgrade-railway-reconstruction/>.

<sup>45</sup> Ministry of Finance, 'Finance Minister Holds Negotiations on Budapest-Belgrade Railway Line Project in China'.

<sup>46</sup> Index, '130 év alatt térülhet meg a méregdrága kínai vasút' [It might take 130 years for the extremely expensive Chinese railway investment to return], Index, 1 December 2017, Retrieved from [https://index.hu/gazdasag/2017/12/01/budapest\\_belgrad\\_megterules\\_vam\\_kereskedelem\\_pireusz\\_kina\\_131\\_ev/](https://index.hu/gazdasag/2017/12/01/budapest_belgrad_megterules_vam_kereskedelem_pireusz_kina_131_ev/).

<sup>47</sup> HVG, '10 évre titkosította a kormány a tanulmányt a kínaiakkal összehozott vasútvonalról' [The government classified the feasibility study on the Chinese railway for 10 years], HVG, 20 December 2017, Retrieved from [https://hvg.hu/gazdasag/20171220\\_Szep\\_megoldas\\_10\\_evre\\_titkosította\\_a\\_kormany\\_a\\_BudapestBelgrad\\_vasutvonal\\_megvalosithatosagi\\_tanulmanyat](https://hvg.hu/gazdasag/20171220_Szep_megoldas_10_evre_titkosította_a_kormany_a_BudapestBelgrad_vasutvonal_megvalosithatosagi_tanulmanyat).



conducted on the project for ten years.<sup>48</sup> Public opinion has also been whipped up by the fact that the Hungarian companies responsible for the implementation of the project, are tied to one of the richest Hungarians, who is also a close friend of Prime Minister Viktor Orbán.<sup>49</sup>

Critics of the project also raised practical and financial issues. They argued, that the railway would not connect Hungarian cities, and the project would be executed mostly by Chinese companies, as the greater the role of the Chinese have on the construction of the railway line, the less interest the Hungarian side has to pay back the loan.<sup>50</sup> Previous field research revealed that many of the grievances on the Hungarian side are about the project not creating any new jobs for the locals.<sup>51</sup>

The project not only raised concerns among the Hungarian general public: both the EU and the U.S. took it upon themselves to voice their concerns regarding the project. It was reported in early 2017 that the EU started reviewing whether the project violates EU public tender regulations,<sup>52</sup> but before the investigation could be completed,<sup>53</sup> in late 2018, the Hungarian government decided to call a new tender for the railway. They argued that the original tender's costs (at that point 2.1 billion EUR) were too high.<sup>54</sup> Afterwards, in April 2019 when the Hungarian government announced the winners of the new tender,<sup>55</sup> the U.S. Embassy in Budapest reacted by publishing a Facebook post warning against the BRI being a debt trap.<sup>56</sup> The post reflects the Trump administration's stance on the issue<sup>57</sup> and echoes general criticisms of the project.<sup>58</sup> However, facts and data do not support the claim of the BRI being a debt trap,<sup>59</sup>

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<sup>48</sup> HVG.

<sup>49</sup> Tenczer Gábor, 'Mészárosék nyerték el a méregdrága belgrádi vasútépítést' [The Mészáros family won the tender for the extremely expensive Belgrade railway], 26 April 2019, Retrieved from [https://index.hu/gazdasag/2019/04/26/meszarosek\\_nyertek\\_el\\_a\\_belgradi\\_vasutepitest/](https://index.hu/gazdasag/2019/04/26/meszarosek_nyertek_el_a_belgradi_vasutepitest/).

<sup>50</sup> Zoltán Vörös, 'Who Benefits From the Chinese-Built Hungary-Serbia Railway?', The Diplomat, Retrieved from <https://thediplomat.com/2018/01/who-benefits-from-the-chinese-built-hungary-serbia-railway/>.

<sup>51</sup> Matt Ferchen, 'Hungary-Serbia Railway Case Study and International Comparisons', in *Assessing China's Influence in Europe through Investments in Technology and Infrastructure. Four Cases.*, by Matt Ferchen et al. (Leiden Asia Centre, 2018), 4–13, Retrieved from <https://leidenasiacentre.nl/wp-content/uploads/2018/12/Influence-in-Europe-through-Investments-and-Technology-anf-infra.pdf>.

<sup>52</sup> Beesley, Byrne, and Kynge, 'EU Sets Collision Course with China over "Silk Road" Rail Project'.

<sup>53</sup> 'Belgrade-Budapest Rail Link and Compliance with European Public Procurement Rules', Parliamentary questions, Retrieved from [http://www.europarl.europa.eu/doceo/document/E-8-2018-004493\\_EN.html](http://www.europarl.europa.eu/doceo/document/E-8-2018-004493_EN.html).

<sup>54</sup> HVG, 'Drágállja a kormány a Budapest-Belgrád-vasútvonalat, új eljárás jön'. [The government thinks the Budapest-Belgrade railway link is too expensive, calls for a new tender].

<sup>55</sup> Ministry of Foreign Affairs and Trade, 'Winner of Tender for the Refurbishment of the Budapest-Belgrade Railway Line Announced', 25 April 2019, Retrieved from <https://www.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/winner-of-tender-for-the-refurbishment-of-the-budapest-belgrade-railway-line-announced>.

<sup>56</sup> HVG, 'Adósságcsapdától féltik az amerikaiak a magyarokat' [The Americans are worried that the Hungarians might fall into a debt trap], HVG, 29 April 2019, Retrieved from [https://hvg.hu/kkv/20190429\\_Adossagcsapdatol\\_feltik\\_az\\_amerikaiak\\_a\\_magyarokat](https://hvg.hu/kkv/20190429_Adossagcsapdatol_feltik_az_amerikaiak_a_magyarokat).

<sup>57</sup> Mike Pence, 'Vice President Mike Pence's Remarks on the Administration's Policy Towards China', Hudson Institute, 4 October 2018, Retrieved from <https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>; John R. Bolton, 'Remarks by National Security Advisor Ambassador John R. Bolton on The Trump Administration's New Africa Strategy', The White House, 13 December 2018, Retrieved from <https://www.whitehouse.gov/briefings-statements/remarks-national-security-advisor-ambassador-john-r-bolton-trump-administrations-new-africa-strategy/>.

<sup>58</sup> Lucy Hornby and Archie Zhang, 'Belt and Road Debt Trap Accusations Hound China as It Hosts Forum', Financial Times, 23 April 2019, Retrieved from <https://www.ft.com/content/3e9a0266-6500-11e9-9adc-98bf1d35a056>.

<sup>59</sup> Deborah Brautigam, 'Is China the World's Loan Shark?', 26 April 2019, Retrieved from <https://www.nytimes.com/2019/04/26/opinion/china-belt-road-initiative.html>; Agatha Kratz, Allen Feng, and Logan Wright, 'New Data on the "Debt Trap" Question', Rhodium Group, 29 April 2019, Retrieved from <https://rhg.com/research/new-data-on-the-debt-trap-question/>; John Hurley, Scott Morris, and Gailyn

particularly in the case of an EU member state that falls into the low-risk category of potential debt risk.<sup>60</sup> China's leverage in debt negotiations is often overestimated, and debt renegotiations are very common, whereas asset seizures in reality are very rare.<sup>61</sup> It is also worth noting, that according to Viktor Orbán, return on investment is not a priority for the Hungarian government in the case of the Budapest-Belgrade railway link. When concerns arose about the project's feasibility, he stressed the importance of refurbishing the railway because transporting Chinese products through Hungary generates income for the country.<sup>62</sup>

## The progress of the project: member state versus non-member state

There has been a noticeable difference in how 17+1 Cooperation projects have been executed by EU member and non-member states. China has launched and completed numerous projects in the Balkans, while none of the attempted projects in EU member states seem to have gone according to plan.<sup>63</sup> The Budapest-Belgrade railway link perfectly underscores these differences. As mentioned previously, the railway link does not consist of one multilateral, but rather two bilateral projects between China and the two CEE countries. This made the refurbishment of the Serbian stretch possible, starting in November 2017.<sup>64</sup> According to the latest estimations it should be completed by 2022.<sup>65</sup> In the meantime, Hungarian constructions have not yet started and the contract was only signed in June 2019.<sup>66</sup> According to government estimations, these constructions should be finished by 2023. To ensure this, some of the bureaucratic processes related to the permits and authorisations were simplified.<sup>67</sup>

## Conclusions

The Budapest-Belgrade railway project put Brussels at loggerheads with the Hungarian government and quickly became emblematic of anxieties related to China's growing influence in Eastern European member states, as well as the EU as a whole. The problems and obstacles that arose related to the project, such as delayed constructions, tender challenges, accumulating

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Portelance, 'Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective', *Journal of Infrastructure, Policy and Development* 3, no. 1 (2019): 139–75.

<sup>60</sup> Hurley, Morris, and Portelance, 'Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective'.

<sup>61</sup> Kratz, Feng, and Wright, 'New Data on the "Debt Trap" Question'.

<sup>62</sup> István Váczi, 'Aláírták az 500 milliárdos szerződést a projektről, amire nincs szükség' [The contract for a 500-billion project that we do not need was signed].

<sup>63</sup> Anita Kőműves, 'The Ghost Train', *VSquare*, 18 October 2018, <https://vsquare.org/the-ghost-train/>.

<sup>64</sup> Aleksandar Vasovic, 'Serbia Starts Construction of Chinese-Funded Railway to Budapest', *Reuters*, 28 November 2017, Retrieved from <https://www.reuters.com/article/serbia-china-railway/serbia-starts-construction-of-chinese-funded-railway-to-budapest-idUSL8N1NY4RR>.

<sup>65</sup> 'Már Készül a Budapest-Belgrád Vasútvonal' [Constructions for the Budapest-Belgrade railway link have started], *Portfolio*, Retrieved from <https://www.portfolio.hu/vallalatok/mar-keszul-a-budapest-belgrad-vasutvonal.330271.html>.

<sup>66</sup> 'Extraordinary Announcement'.

<sup>67</sup> 'Varga Mihály szerint 2023-ra meglehet a Budapest-Belgrád-vasút' [Mihály Varga thinks the Budapest-Belgrade railway link might be finished by 2023], *HVG*, 9 April 2019, Retrieved from [https://hvg.hu/gazdasag/20190409\\_Varga\\_Mihaly\\_szerint\\_2023ra\\_meglehet\\_a\\_BudapestBelgrad\\_vasut](https://hvg.hu/gazdasag/20190409_Varga_Mihaly_szerint_2023ra_meglehet_a_BudapestBelgrad_vasut).

costs, and feasibility, concerns that are all very typical of BRI projects. The difference between how the project is progressing in Hungary and Serbia sheds light on the influence and power the EU can have when it comes to the BRI. China has a harder time pushing through infrastructure projects in EU member states since these countries can secure funding for their investment projects from the European Institutions. The EU's public tender laws can also become a stumbling block for the actual execution of the plans. As for the 17+1 Cooperation, it is an obvious sign of China's evolving role as a global actor as well as a growing influence in Central and Eastern Europe. However, the Budapest-Belgrade railway link, a supposed key project of the Cooperation, underpins the shortcomings of Chinese endeavours in the region, highlighting the biggest obstacle to success for the 17+1 Cooperation as a whole: the heterogeneity of the countries involved.