Chapter 3. Belt and Road Initiative (BRI) and Central Eastern European Countries (CEEC)

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Introduction

Since initiated in 2013, the Belt and Road Initiative (BRI) has been widely focused on and debated in the context of political science and international relations. Given the character of the rise of China, which remains one of the most profound factors in East Asia and the world, BRI has been recognized as a global strategy to shape the international order, along with AIIB and Silk Road Concept (Haba, 2015). In those which successfully participated into this regional cooperation, Central Eastern European Countries (CEEC) are one of the most significant due to the 16(17) +1 Format, a mechanism connected China with CEEC in BRI.

The 16(17) +1 Format involves China, 11(12) EU member states and 5 Balkan countries. 11(12) EU member states are Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, and Greece. 5 Balkan countries are Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia. The first 16+1 meeting was held in Warsaw, Poland, in 2012. From 2012, 16+1 meetings have been held in Romania (2013), Serbia (2014), China (2015), Latvia (2016), Hungary (2017), Bulgaria (2018) and Croatia (2019). In 2019, Greece became the member of the Format, and 16+1 become 17+1.

In this chapter, the author will explore 1) the relations between CEEC and BRI, focusing on how China CEEC relations contributed to the for-

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mular of BRI under the enlargement of EU and rapid economic growth of China; 2) the motivation of China CEEC cooperation, focusing on how domestic context of China became the source of Chinese foreign policy; 3) the different perspectives towards China CEEC cooperation, focusing on the different situations and perspectives in EU member states and non-EU member states. There have been intense discussions about China CEEC relations and 17+1 Format. China’s influence on CEEC has been analyzed as a soft power (Pepermans, 2018), and China CEEC relations is important for understanding China EU relations (Tsuchida, 2019). Nevertheless, through a facts reconstructing towards a new understanding of the origin of BRI and China CEEC relations, this chapter mainly focuses on the state actors and a domestic context in
China CEEC relations that are still expected to be explained (Fukuyama, 2016), and interactions among China, CEEC and EU.

This paper uses the methodology of case study, focusing on the project of Hungarian Serbia Railway, and takes advantage of the documents from China, Serbia, Hungary, and EU. Although most of the sources are from online, a large picture of the major actors enrolled in the BRI can be found. Despite field work and interview could be implemented in the future, it is conceivable that this chapter can provide a general guidance for further study.

The Origin of BRI and the Central Eastern Europe Countries (CEEC)

The origin of BRI is widely recognized as from 2013, when Xi Jinping, made speeches in Central and South Eastern Asia, which indicated China’s initiative in global regional cooperation, and the official document for BRI, *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, which was issued by the Ministry of Foreign Affairs and the Ministry of Commerce of China in 2015. In this sense, one could be difficult to consider that the starting of BRI has some relations with CEEC. However, by focusing on the relations between CEEC and China, before 2013, it is conceivable that China CEEC relations was a significant underlying factor of the emerging of BRI.

Historically, CEEC had a close relationship with China. After the establishment of PRC, CEEC, on the influence of the Soviet Union, became the first group of countries which recognized the status of PRC and had cooperation with China during the Cold War era. It is conceivable that the relations between China and the CEEC could be mutual understanding, mutual learning and cooperating with each other. Especially in the case of Poland and Hungary, in 1956, while China supported the crackdown of the mass movement in Hungary, China still showed efforts to learn the marketing mechanism from Poland. In the

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2) Shixin Du, China’s Foreign Policy in Polish Crisis and Hungarian Revolt (Project), *Aoyama journal of international studies* (4), 2017
1980s, China sent delegations to Hungary to learn the market economy mechanism for the opening policy\textsuperscript{3)}. In the 1990s, China generally insisted the opening policy from Deng Xiaoping’s era and achieved rapid economic growth, while in 2004, the enlargement of EU allows CEEC countries became EU member states. In 2011, Poland and China built strategic relationships\textsuperscript{4}) and then in 2012, the first 16+1 meeting was held in Poland, which started the mechanism of the current China-CEEC cooperation.

The 17+1 China CEEC Cooperation meeting was firstly held in 2012 in Warsaw, Poland; in that year Xi Jinping was elected as the leader (the fifth generation) of the Communist Party of China (CPC). The meeting then began to be held once a year. In 2013, 16+1 was held in Bucharest, Romania, when Xi Jinping made his speeches in Asia to announce the initiative of BRI. In 2015, 16+1 was held in Suzhou, China, when the official document of BRI was issued by Ministry of Foreign Affairs and Ministry of Commerce. And in 2015, the leaders of Hungary (Orban), Serbia (Vučić), and China (Li) signed the railway construction cooperation between Budapest and Belgrade.

Therefore, before the announcement of BRI in 2013 and 2015, China CEEC cooperation was already on track and became the foundation of the format of China CEEC regional cooperation. In this perspective, it is conceived that the China CEEC cooperation motivated the emerging of BRI, and then became one of the most important regional cooperation mechanisms.

Case Study: Hungary-Serbia Railway

Motivated by China CEEC relations, what BRI has achieved? In other words, what has been the outcome of China CEEC mechanisms since 2012 and how to explain it? For these questions, analyzing the project case of BRI in China CEEC relations is necessary, and China

\textsuperscript{3}) New Historical Documents, Sino-Soviet-Eastern European relations (Xin Shi Liao, Xin Faxian: Zhong Guo Yu Su Dong Guan XI) China Social Academy, Edited by Hu Lifu, Vámos Péter, Li Rui, 2014. pp 236–254

CEEC relations has provided one of the most significant cases in BRI, the Hungary-Serbia Railway. This railway project is a result of the 16+1 meeting and supported by three main participants in the regional cooperation: China, Hungary, and Serbia.

The project of the Hungary-Serbia Railway was signed by the leaders of Hungary, Serbia, and China in 2015. Two years later, in May of 2017, the funding bank, Export-Import Bank of China and Serbia government signed the loan between Belgrade and Stara Pazova, and 6 months later, in November of 2017, the construction began. Two years later, in 2019, the first train from Ji Nan, China, arrived in Belgrade, Serbia, and in January 2020, it is said that the Export-Import Bank of China will provide about $1.04b in loans between the railway construction between Novi Sad, Serbia and Kelebia, Hungary.

It is said that the length of the railway will be 260km, and the top speed will be 200km per hour (160km per hour, by Hungarian media), and it will shorten the time between Belgrade and Budapest from 8 hours to 3 hours. The whole project is supposed to finish in 2023.

National Development and Reform Commission of China (Fa Gai Wei)

Among numbers of actors who participate in the train project, one of the most important is the National Development and Reform Commission of China. National Development and Reform Commission, also called Fa Gai Wei in Chinese, is directly led by the State Council (Guo Wu Yuan), and its most important function is national economic growth and plans, rather than foreign policy or foreign investment. The central role of Fa Gai Wei in the railway project and the function of Fa Gai Wei in China, indicate that the goal of railway project has a strong domestic context.

Fa Gai Wei remains the center of the Hungary-Serbia Railway project. Before 24th November 2015, when the leaders of Serbia, Hungary and China signed the official document on the railway project in 16+1 meetings, in January of 2015, the deputy director of Fa Gai Wei, along

with the Ministry of Foreign Affairs, the Ministry of Finance, China Railway, and Export-Import Bank of China, visited Hungary, Serbia, and Macedonia for the preparation of the Hungary-Serbia Railway project. The director of Fa Gai Wei is the presenter of China who signed the contract with the Hungarian government⁶ on the witness of the leaders of Hungary, Serbia, and China in the 16+1 meeting in 2015. And in December, when the project starting ceremony was held in Novi Sad, Serbia, the deputy director of Fa Gai Wei presented himself in the ceremony and read the congratulating letter from the prime minister, Li Keqiang.

The Reason for Fa Gai Wei to promote the railway project is related to the policy of “Railway Going Out” (Tie Lu Zou Chu Qu). The Railway Going Out Strategy is a grand strategy of Chinese infrastructure, which contains not only the Hungary-Serbia Railway, but also the Indonesia High-Speed Railway, Chinese-Laos Railway, Chinese-Thailand Railway as well, promoting the building of infrastructure connection in the peripheral countries of China⁷.

The Railway Going Out Strategy led by Fa Gai Wei, indicates the significance of railway project in China’s national economy. According to Fa Gai Wei’s document, by the year 2015, the length of China’s railway had achieved 121 thousand kilometers, and the high-speed train had achieved 191 thousand kilometers, which remains 60% of the world’s high-speed train length. It is conceivable that the success of China’s domestic railway is the motivation of the Railway Going Out policy⁸.

China State Railway Group Co., Ltd. (China Railway)

While Fa Gai Wei is a governmental agency which takes the responsibility of the going out policy of China’s railway project, the main actor which is involved in the railway construction is the China State Railway

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Group., Ltd. (China Railway).

In 2013, the Ministry of Railway was abolished by the National People’s Congress of China, and China Railway Agency was established to take the administrative responsibility of formal Ministry of Railway, while China Railway Corp. was established at the same time to continue the corporate responsibility of the formal Ministry of Railway. And in 2019, China Railway Corp. was reformed as a new cooperation, China State Railway Group Co., Ltd. From 2015, the beginning of the construction of Hungary-Serbia Railway, China Railway Corp., and China State Railway Group Co., Ltd (both are known as China Railway) have been the main actors taking responsibility for the railway construction.

China Railway takes on both domestic and international railway projects. Currently, China Railway has undertaken five overseas projects: Pakistan Lahore Orange Line Rail Transit Project, China-Thailand Railway Cooperation Project, Hungary-Serbia Railway Project, China-Lao Railway Project, Jakarta-Bandung HSR Project in Indonesia, and Hungary-Serbia Railway. According to the official documents of China Railway, China Railway must implement the national strategy of “BRI” and “going out”, to achieve the goal of “Railway Going Out”.

**The government of Serbia**

The government of Serbia has supported the project of Hungary-Serbia Railway and is motivated to build a close relationship with China, partly because China’s railway project can benefit Serbia so that Serbia can connect to European countries more conveniently. In September of 2019, President Vucic attended a ceremony marking the 70\(^{th}\) anniversary of the founding of PRC, and he said “he is proud that Serbia is a significant link in the implementation of the One Belt, One Road project”, and he also said, “China has no partner that is more reliable than Serbia, or a friend that is more sincere\(^9\)”.

In the following month, October of 2019, when the first cargo train

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from China arrived in Serbia, President Vucic attended the ceremony and said this idea is “to criss-cross and cover Serbia with all the modern communications, roads, railways, internet, and that thus Serbia joins in the developed economies with solved infrastructural issues”. He also said that the railway project “will be a perfect connection with Europe”, and “Serbia is not a stop-by station for the Chinese trains anymore, but rather a destination10)."

*The Government of Hungary*

The same as the government of Serbia, the Government of Hungary strongly supports BRI and the relations between China and Hungary. In September 2019, Peter Szijjato, the Minister of Foreign Affairs and Trade held talks with Wang Yi, member of the State Council of China, and emphasized in a joint press conference: “Hungarian-Chinese political, economic, trade and cultural relations are exceptionally good”. He said China is the number one trade partner outside the EU and “Chinese companies continue to view Hungary as an attractive investment destination, and their investments are bringing new technologies to Hungary with which they are greatly facilitating the Hungarian economy in the success of its dimensional transition”, as well he recalled that Hungary “was the first EU member state to join the bilateral agreement linked to the One Belt, One Road strategy, and we regard the initiative as “the foundation for new Eurasian cooperation”11). In the according meeting, the minister also explained the contract on the Hungary Serbia railway was being realized with Chinese loan assistance12).

The railway construction has been recognized as “one of the Central

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The EU and Asian Regional Collaboration

and Eastern European region’s most important infrastructure projects,” and the contract of the project in Hungary was signed and the implementation would be taken with the approval of the credit contract entered with China Exim Bank where 85 per cent would be supplied (the remaining 15 per cent would be supplied by the Hungarian state own resources)\(^{13}\).

The perspective of EU

In 2017, China had become the largest EU import country, and the expectation of EU towards BRI has been focused on the infrastructure connectivity in Europe with the cooperation of China. Cooperation between TEN-T (Trans-European Transport Network) and BRI is expected, as well as cooperation between EIF (European Investment Fund) and SRF (Silk Road Fund).

The Trans-European Transport Network (TEN-T) policy includes the implementation and development of a Europe-wide network of railway lines, roads, inland waterways, maritime shipping routes, ports, airports, and railroad terminals (Figure 2)\(^{14}\). To improve transport connectivity, the European Commission (Directorate-General for Mobility and Transport, DG MOVE) and the National Development and Reform Commission of China (Fa Gai Wei) established a Connectivity Platform in 2015, including the Trans-European Transport Network (TEN-T), and BRI\(^{15}\).

European Investment Fund (EIF) is part of the European Investment Bank Group (EIB), and its central mission is to provide finance to benefit small and medium-sized enterprises (SME) across Europe\(^{16}\). Silk Road Fund (SRF) is founded with investment from State Administra-

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tion of Foreign Exchange, China Investment Corporation, China Development Bank and Export-Import Bank of China, and its mission is to provide investment and financing support for trade and economic cooperation and connectivity under BRI\textsuperscript{17}). In 2017, in the presence of Premier Li Keqiang, President of the European Commission Jean-Claude Juncker and President of the European Council Donald Tusk, SRF and EIF signed a Memorandum of Understanding aiming at facilitating a co-investment framework\textsuperscript{18}).

Figure 3 shows trends in TEU and trains between China and Europe. Trains had increased sharply from 2014, and it is conceived that the development of China CEEC connectivity cooperation, including the launch of Hungary-Serbia Railway project will create further possibilities for increasing the trade between China and Europe.

Nevertheless, the situation of the railway project could be different from EU and non-EU countries. The start of Hungary-Serbia Railway was from Serbia side in 2015, while in 2020, the project in Hungary side was eventually launched\textsuperscript{19}). One would be curious why Hungary and Serbia had different agenda for the same project. The reason is assumed by the concerns from EU, about ‘the transparency, non-discrimination and equal treatment, including for foreign companies, that are applied in EU’\textsuperscript{20}).

Furthermore, the critique of this BRI project is especially focused on the loans provided by China. As Zoltan indicates, “the Hungarian section will cost 750 billion forints” (roughly $3 billion). Of this, 85 percent will be financed by Chinese loans, with interest between 132 and 200 billion forints ($500 and $800 million) and 15 percent by the Hungarian


government. Potentially, then, the whole project will cost around 950 billion forints ($3.7 billion). “Is it beneficial for Hungary to construct this railway with Chinese help? It seems that the project is more ideal for China than for Hungary.”\(^{21}\) However, The pro-BRI scholars focus on the larger picture of geo-political effect of the project. “The Hungary-Serbia Train Project in the cooperation of China-Central Eastern Europe, is precisely the important project of pan-European Communication Corridor, and also one of the ten projects which motivate the whole of Europe from west to east, and from south to north.”\(^{22}\) Remaining debatable, China CEEC cooperation will still be the hot spot of exploring the nature of BRI and the rise of China in the global world.

Figure 2: The Trans-European Transport Network (TEN-T)
Source: Trans-European Transport Network, European Commission\(^{23}\)

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Conclusion

This paper introduced China CEEC cooperation in the framework of BRI, from historical background and current connectivity cooperation. China and CEEC have created a cooperative relation since the Cold War, and the rapid economic growth of China and the enlargement of EU provide great opportunities for each other. The establishment of the 16(17) +1 Format since 2012 contributed to the form of BRI and under BRI framework, the infrastructure connectivity constructions in for China CEEC cooperation has been implemented. The typical case for the cooperation is Hungary Serbia Railway project, involving Hungary, Serbia, and China. By analyzing the actors enrolled into the project, such as National Development and Reform Commission of China and China State Railway, which played a profound role in the railway construction, it is conceived that the domestic development remains the motivation of accelerating the regional cooperation in China CEEC.

The EU and Asian Regional Collaboration

The project is supported in Serbia and Hungary, for the reason of developing connectivity in Europe, and EU also welcomed Chinese regional cooperation with BRI. The Trans-European Transport Network (TEN-T) policy of EU and European Investment Fund (EIF) have cooperation with National Development and Reform Commission of China and Silk Road Fund. The increase of trains between China and Europe recent years indicated the further trade opportunity in the regional cooperation. Nevertheless, the agenda between EU states and non-EU states are different, and it is assumed that the concerns and critique from about the transparency and equal treatment could be the reason.

The findings of this paper above could help to clarify the current characters and situations of both China CEEC cooperation and BRI. First, China CEEC cooperation in BRI has strong national characters. The leading role of state actors in the regional cooperation, such as China, allows a strong mobilization of national sectors, as observed in National Development and Reform Commission, China railway, and Export-Import Bank of China. While on the other hand, if one expects the regional cooperation to lead a governance that is beyond sovereignty in the future, that is unclear yet. Though 17+1 provides a platform to discuss China CEEC cooperation, any functional institution that could manage the specific field is not observed yet. Nevertheless, since China remains EU’s second largest trading partner and EU remains China’s biggest trading partner, there is a strong motivation for both EU and China to cooperate further in China European relations, which is most expected to benefit CEEC, as the corridor between EU and China eventually.

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