



Weekly Briefing

**Hungary External Relations briefing:
Hungary and Budapest 16+1 Summit
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The week beginning the 27th was clearly dominated by news of the 16+1 summit in Budapest, however for most of the Hungarian public, the summit only meant severe constraints on the public transport in Budapest. Moreover, it can be stated, that the 16+1 summit aroused much less interests in the Hungarian public than former visits of Russian President Putin. In this briefing there are news, analyses investigated more in detail, which were published by three Hungarian main media sites.

The www.index.hu has only one internet site, but that is the most frequently visited internet site in Hungary and it has an opposition stand on most of the social, political issues, however, it would be hard to link it to any of the main opposition parties. The site covered two main long articles on the 16+1 summit in Budapest. Both analyses emphasize the economic aspects of the One Belt and One Road Initiative. The following elements are stressed in these articles:

- The railroad reconstruction between Budapest and Kelebia (a small village at the Hungarian-Serbian border) is to be the most expensive renovation project in the history of the Hungarian railroad constructions.
- Special emphasis is put on the amount of the expenditures linked to the project (750 billion HUF) and more importantly, that the interest rates of the Chinese loans are not known by the Hungarian public.
- The articles offer an explanation to the assumed costs of the project, it suggests that the overpriced project might only serve the interests of Hungarian politicians and firms with close links to influential politicians, thus enhancing crony capitalism in Hungary.
- It is stressed by the media site; the railroad doesn't go through larger Hungarian cities and the transport (even including the assumed

increase in the amount and value of transported goods) between Budapest and Belgrade doesn't explain such a huge investment.

- Reconstruction costs per kilometer would reach 3.5 billion HUF, which would be the most expensive reconstruction by far, compared to earlier railroad renovation projects according to the media site.
- An additional argument of the article is even if everything went well, the length of the transport only would decrease by one hour.
- The www.index.hu claims there would be a dispute between China and Hungary as for the share of the Hungarian and Chinese firms in the project. The larger the share of the Hungarian firms is, the higher interest rate are to be paid by the Hungarian state, the media site claims. In other words, Hungary would have to pay for a larger participation of Hungarian firms.

The article states, there are contradictions within the reasoning of the Hungarian government. To be the logistical hub for Chinese export and import in Central Europe, first products must be shipped from the Greek port to Belgrade (again the construction of 800-kilometer railroad). The media site points out to the lack of Chinese investment in the last years as a prove of Hungary's unimportance. The article concludes that this project is built on political reasoning, economic interests of the two partners are of less relevance, and that is the way how the Hungarian government attempts to make a political gesture toward the Chinese partner, the article claims. And that is something Hungary clearly needs, the article stresses, since it failed with the earlier Chinese proposals (fast railroad to the international airport of Budapest, or the railroad along the M0 motorway. etc.) The author of the article emphasizes the incompatibility of the project with Single Market regulations, he assumes the rail road project is only partly about Beijing from the Hungarian point of view, but Budapest would play a political game with the EU and it only includes China into this game.

The newspaper Magyar Nemzet (www.mno.hu), which is to be characterized by mainly conservative and opposition views, published more, but shorter articles on the summit on its webpage this week. According to the article, the Hungarian Prime minister explained the main motivations of the Chinese with growing import demands of the Chinese economy and the need for allocation of the Chinese manufacturing capacities. It was underlined that € 3 billion additional sources were made available by China for the purposes of 16+1 cooperation, and at the same time several other agreements were signed by the People's Republic of China and Hungary. A longer article published by the Magyar Nemzet reflects on the broader strategic dilemmas of the special China-Hungary relations.

The week opposition actions to the visit of the Chinese Prime Minister in Budapest were weak and sporadic, the newspaper underlines. According the analysis, that stands in sharp contrast with heavy opposition reactions on the two visits of the Russian President. These protests – except for sporadic protests – did not dominate the agenda of the media. The article draws attention to the supposedly geopolitical intentions of the One Belt and One Road Initiative and it concludes the less Chinese investments pour into the Hungarian economy, the stronger the economic stability of the country is. In other words, why should Hungary replace one dependency with another one?

In that context, it must be underlined, that Chinese trade surpluses can be interpreted overshadowing the interpretation of the summit, however, Chinese percentages in Hungarian trade are not significant yet; China's share in Hungarian import was around 5.27 percent in 2016, while Chinese share in export reached 2.2 percent the same year.¹ In other words, the turn to China is in a very embryonic state from an economic point of view, trade deficit can be improved, thus the rejection of the project basing on these percentages seems to be hurried.

¹ In Hungarian Forints, based on data of the Hungarian Central Statistical Bureau. (KSH)

Another article of the Magyar Nemzet considers the details of rail road reconstruction project since Chinese-Hungarian Railway Nonprofit Company (KMVN) issued a call for tenders on the 27th of November. The article quotes an expert who underlined the issued call excludes Hungarian and other European firms since the required revenues of the firms who could participate in the call, can only be matched by Chinese, American or Indian firms. The author features this element as a clear prove of the hidden Chinese intentions with the OBOR and other initiatives.

A very different approach to the possible long-term effects of the 16+1 summit can be observed in several articles of the Magyar Idők. The newspaper starts with a quote of the German Chancellor, Angela Merkel, who underlined the importance of the cooperation with China in the One Belt and One Road Initiative in June 2017. The author points to the shifting power balance in world economy and stresses the reasonableness of Merkel's arguments. The article argues for cooperation without abandoning the special European values, it refers to other European countries, like Germany, France and the United Kingdom, whose economic cooperation (trade and investment) surpass those of Central and Eastern European countries by far and still these governments are not accused by their opposition for maintaining bilateral (and not EU-level) ties with China. The newspaper published other articles as well, which are not linked to the summit or the results of the summit directly, however, published data underline the importance of opening to China (part of the 'Eastward Opening Policy' of the Hungarian government). One of the articles quotes the minister responsible for agriculture, Mihály Fazekas who said this Monday the Hungarian export of agricultural goods to China will increase by around 50 percent this year (based on preliminary data.) He maintained superior results were made possible by comprehensive Chinese import licenses in this field. He also underlined Hungarian agricultural exports which grew by 1.000 percent over the last 10 years, are the main pull factors of the Hungarian exports in this relation.

By and large, it can be stated, that the 16+1 summit received a relatively moderate and positive press coverage. In addition, it must be underlined, that negative comments are usually linked to the critics of Hungarian politicians and/or parties. (The two initiatives – 16+1 and OBOR – are usually featured together, and that is the reason why it is difficult to the average Hungarian to distinguish between them.) There are clear differences in opinions between pro-government and opposition media, the latter ones stressing the negative, or seemingly negative elements of the projects, while pro-government press is emphasizing economic benefits. The perception of the summit and the One Belt, One Road Initiative is rather mixed in the academic circles, that is more understandable because academic discussions evolve rather around the future world economic and politics role of China than the project's direct possible economic effects.

It must be added that there is one element rarely emphasized by Hungarian politicians and experts, China offers an alternative model of development policy to the developing countries of Asia, Africa, South America and to the Central and Easter countries as well. If there is something, one can miss from the branding of this initiative, is to emphasize that the different Chinese initiatives can put the whole Central European region into the center of the world economy offering the region a one-time chance of catching up.