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The Limits of Chinese Soft Power in Europe

The Budapest–Belgrade Railway and the EU's Opportunity

Abstract

The Budapest–Belgrade railway has been presented as one of the flagship European projects of China's Belt and Road Initiative – a symbol of a new era of connectivity between Southeast and Central Europe. Yet rather than representing an unequivocal success story for Chinese influence, the project exposes the limitations of China's soft power in Europe. Drawing on stakeholder interviews in Hungary and Serbia, policy analysis, and investigations surrounding the 2024 Novi Sad railway station collapse, this paper examines the political, economic, and regulatory dimensions of the railway's construction. It argues that the project became embedded in domestic patronage networks characterised by opaque financing, alleged corruption, weak procurement oversight, and poor regulatory enforcement. It further demonstrates how governance asymmetries between EU Member States and candidate countries enabled these dynamics to emerge. These failures open up an opportunity for the EU to make a better offer, one that is transparent, locally beneficial, faster, and promotes European connectivity.



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Introduction

The Budapest–Belgrade railway was intended to symbolise a new era of connectivity between China and Europe. Announced in parallel with the launch of the Belt and Road Initiative (BRI) in 2013, the project was framed by Beijing as a flagship corridor linking the Port of Piraeus with Central Europe and demonstrating the transformative potential of Chinese-led infrastructure investment. For Hungary and Serbia, two of China's closest partners in Europe, the railway represented far more than a transport project: it embodied promises of modernisation, economic development, geopolitical relevance, and strategic partnership with an emerging global power. More broadly, it became one of the clearest manifestations of China's growing political and economic footprint in Europe. The BRI is therefore not only an infrastructure and financing framework but also an instrument of Chinese soft power, through which Beijing seeks to associate China with connectivity, development, and material opportunity.[1] By financing and constructing high-profile projects, China has the opportunity to cultivate political goodwill, shape elite and public perceptions, and present itself as a credible partner capable of delivering benefits that European alternatives may appear unable or slower to provide.

Yet more than a decade after its announcement, the Budapest–Belgrade railway has become associated less with connectivity and prosperity than with opacity, corruption allegations, regulatory controversy, technical shortcomings, and questions about political accountability. The collapse of the Novi Sad railway station canopy in November 2024, which killed 16 people and triggered widespread protests in Serbia, transformed concerns surrounding the railway from abstract governance debates into a broader political and societal issue. At the same time, growing scrutiny from the European Union (EU) over procurement practices, state-backed Chinese investment, and strategic dependencies has increasingly challenged the assumptions that originally underpinned the project.

[1] L. Comerma (2024), 'The Normative Influence of the Belt and Road Initiative in Europe', *Journal of Current Chinese Affairs*, 54(2), 233–246; R. Turcsanyi and E. Kachlikova (2020), 'The BRI and China's Soft Power in Europe: Why Chinese Narratives (Initially) Won', *Journal of Current Chinese Affairs*, 49(1), 58–81.

This paper argues that the Budapest–Belgrade railway reveals the structural limitations of Chinese soft power in Europe. While the project initially appeared to showcase Beijing's ability to expand its influence through infrastructure financing and political partnerships, its implementation instead exposed how Chinese investment can become entangled with domestic patronage networks, weak institutions, and regulatory asymmetries between EU Member States and candidate countries. Rather than producing a straightforward success story for the BRI, the railway demonstrates how governance failures, lack of transparency, and contested economic outcomes can undermine both the legitimacy and the effectiveness of China's engagement in Europe.

The relevance of this topic extends beyond the railway itself. The project sits at the intersection of some of the EU's most pressing strategic debates: economic security, enlargement policy, infrastructure resilience, foreign influence, and the governance of critical infrastructure. The railway also highlights the emergence of what can be described as a 'two-speed Europe' in relation to China, in which Western and Northern European states have increasingly tightened scrutiny over Chinese investments. All the while, parts of Central, Eastern, and Southeastern Europe continue to view Chinese capital as an attractive alternative to EU conditionality and financing mechanisms. Understanding how and why this divergence materialised is crucial for assessing both the future of EU–China relations and the coherence of the EU's own internal policies.

To investigate these dynamics, the paper combines analysis of the BRI in Europe with a detailed case study of the Budapest–Belgrade railway based on five expert interviews in Hungary and Serbia (see Annex for detailed interviewee descriptions). It examines the political and economic relationships between China, Hungary, and Serbia; analyses the railway's financing model, procurement structure, and construction process; and draws on stakeholder interviews and findings from investigations into the Novi Sad incident. The paper closes with policy recommendations that show how this situation creates an opportunity for Europe to go on the offensive and make a better offer, one that fills this gap in European connectivity in a transparent, locally beneficial, and safer way.



The BRI in Europe

The Budapest–Belgrade railway is a showcase BRI corridor connecting the Mediterranean gateway with Central Europe and financed largely through Chinese policy-bank lending.[2] Its development should therefore be situated within the evolution of the BRI in Europe and the parallel '16+1', later '17+1', framework for China's engagement with Central and Eastern Europe.[3]

The scale of the BRI expanded substantially after its launch: annual China–BRI trade rose from about $1.04 trillion in 2013 to $1.8 trillion in 2021, while Chinese direct investment in BRI countries totalled $161.3bn and new engineering contracts approximately $1.08 trillion over the 2013–2021 period.[4] In 2025, goods trade with BRI partner countries reached 23.6 trillion yuan, equivalent to 51.9% of China's total foreign trade value.[5] Following a slowdown between 2020 and 2023, a Green Finance & Development Center (GFDC) report indicates a rebound in 2024 to $70.7bn in construction contracts and about $51bn in investments.[6]

China's March 2015 'Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road' established the central policy framework for BRI connectivity across Asia, Europe, and Africa, with Europe positioned at the endpoint of both land and maritime routes and early implementation centred on railways in Southeast Europe and Mediterranean ports.[7] However, the Budapest–Belgrade railway had already been announced by Chinese, Hungarian, and Serbian leaders in 2013 and was subsequently incorporated into BRI/17+1 narratives, illustrating how BRI branding absorbed pre-existing bilateral priorities.[8] In this European configuration, the railway also forms part of the Western Balkans connectivity agenda associated with moving Chinese goods north from the Mediterranean gateway.[9] Its announcement in the same

2 F. Rencz (2019), 'The BRI in Europe and the Budapest–Belgrade Railway Link' (Briefing paper 10/2019), *European Institute for Asian Studies*.

3 Rencz, 'The BRI in Europe'.

4 Xinhua (2022), 'China's trade with Belt and Road countries enjoys robust growth', State Council, People's Republic of China, 20 May, https://english.www.gov.cn/news/internationalexchanges/202205/20/content_WS62874a41c6d02e533532b0ca.html.

5 Xinhua (2026), 'China's resilient foreign trade expands in 2025 amid global headwinds', State Council, People's Republic of China, 15 January, https://english.www.gov.cn/archive/statistics/202601/15/content_WS6968cbfac6d00ca5f9a08969.html.

6 C. Nedopil (2025), *China Belt and Road Initiative (BRI) investment report 2024*, Green Finance & Development Center (GFDC).

7 N. Casarini (2024), 'The Future of the Belt and Road in Europe: How China's Connectivity Project Is Being Reconfigured across the Old Continent – And What It Means for the Euro-Atlantic Alliance', I*stituto Affari Internazionali*, 24(2).

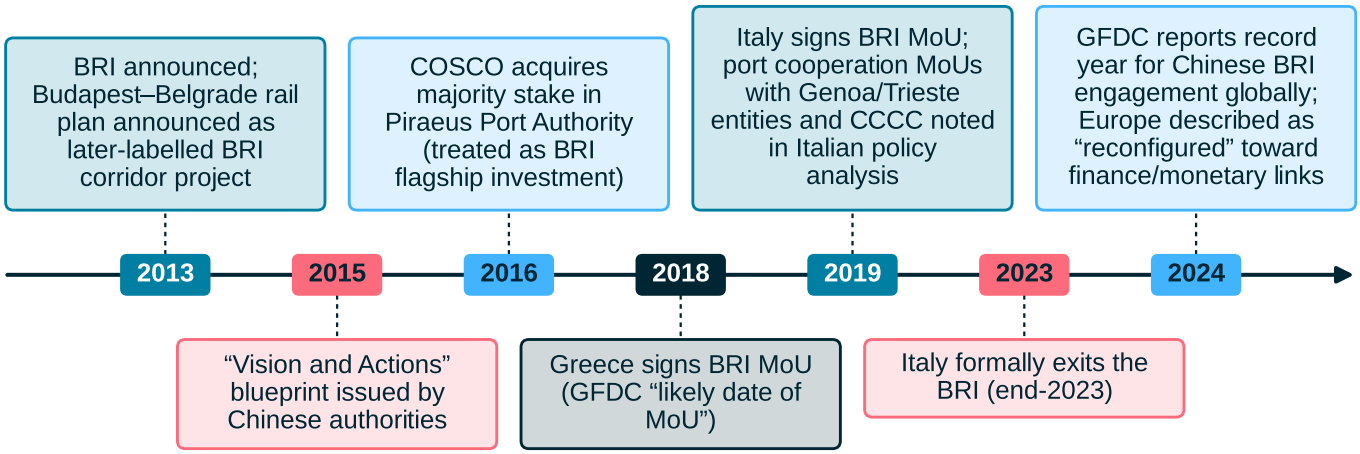
8 Rencz, 'The BRI in Europe'.

9 Rencz, 'The BRI in Europe'; European Investment Bank (2018), *Infrastructure investment in the Western Balkans: A first analysis*.

year as the BRI further placed it among the initiative's early European connectivity projects, even though the project itself predated its subsequent incorporation into BRI branding.[10]

The Western Balkans infrastructure gap, together with the relative ease of deploying Chinese loans and contractors outside EU procurement rules, provided an additional incentive for BRI-related financing alongside the strategic objective of moving goods north from Piraeus.[11]

Figure 1: BRI milestones in Europe.



From 2016 to 2017, Western and Northern Europe increasingly scrutinised Chinese engagement through strategic-asset screening, expressed procurement concerns, and engaged in security debates, whereas Central and Eastern European (CEE) states continued to seek Chinese projects and capital in a more permissive regulatory environment.[12] Italy's 2019 BRI Memorandum of Understanding (MoU) was Beijing's clearest branding success in Western Europe, while Italy's withdrawal at the end of 2023 marked the BRI's European 'twilight zone' and contributed to its reconfiguration towards financial and monetary connectivity and selective infrastructure engagement in Eastern and Southeastern Europe.[13] This divergence underpins an increasingly 'two-speed' pattern of European engagement with China.[14]

10 Rencz, 'The BRI in Europe'.

11 European Investment Bank (2018), *Infrastructure investment in the Western Balkans*. DOI: 10.2867/163426.

12 Casarini, 'The Future of the Belt and Road in Europe'.

13 Casarini, 'The Future of the Belt and Road in Europe'.

14 Casarini, 'The Future of the Belt and Road in Europe'.

Chinese relations with Hungary and Serbia: EU perspective

Hungary has sought to become a hub for Chinese capital and production serving the EU market, with recent inflows increasingly taking the form of greenfield investment in strategic manufacturing sectors such as electric vehicles (EVs), batteries, and related supply chains.[15] Chinese investors committed more than €7.6bn in Hungary in 2023, making China the largest investor by announced value that year, with Contemporary Amperex Technology Co., Limited's planned €7.34bn battery plant in Debrecen as a flagship project.[16] The Budapest–Belgrade railway is Hungary's most geopolitically salient China-linked infrastructure project and is financed through a 20-year China Exim Bank loan of about $1.8bn covering roughly 85% of the costs.[17] Its loan-for-infrastructure model has consequently generated controversy over alternative forms of financing and investment.[18]

Serbia's relationship with Chinese finance differs through its stronger reliance, particularly in earlier years, on Chinese policy-bank loans for infrastructure and energy, alongside strategic industrial investments in sectors including metals and mining processing.[19] Chinese engagement has relied more heavily on loans than on large-scale foreign direct investment (FDI), although Chinese FDI flows surged from 2022 onward.[20] The Serbian section of the railway was financed by an Exim Bank loan of roughly $1.3bn covering about 85% of costs; a tripartite MoU was signed in late 2014 and construction began in 2021 after repeated delays.[21] The Belgrade–Stara Pazova section entered operation on 19 March 2022,[22] while the first freight train departed Budapest's Ferencváros Railway Station on 27 February 2026.[23]

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15 F. Stangherlin (2024), *Hungary and Serbia: China's new offshore manufacturing hubs in the EU?* [Policy brief no. 34], European Institute for Asian Studies (EIAS).

16 HIPA/Hungarian Investment Promotion Agency (2024), *Previous all-time high FDI inflow doubled in Hungary*, 15 January, https://hipa.hu/news/previous-all-time-high-fdi-inflow-doubled-in-hungary/.

17 D. Mitrović (2023), 'The Dynamics of the Republic of Serbia's Cooperation with China via the Belt and Road Initiative and the "Sixteen plus One" Platform', *Journal of Contemporary East Asia Studies*, 12(1), 148–178.

18 M. Ferchen (2018), 'China's troubled Hungary–Serbia railway project: A case study', Carnegie Endowment for International Peace, 12 December, https://carnegieendowment.org/posts/2018/12/chinas-troubled-hungary-serbia-railway-project-a-case-study.

19 Mitrović, 'The Dynamics of the Republic of Serbia's Cooperation with China'; Stangherlin, *Hungary and Serbia*.

20 Mitrović, 'The Dynamics of the Republic of Serbia's Cooperation with China'; Stangherlin, *Hungary and Serbia*.

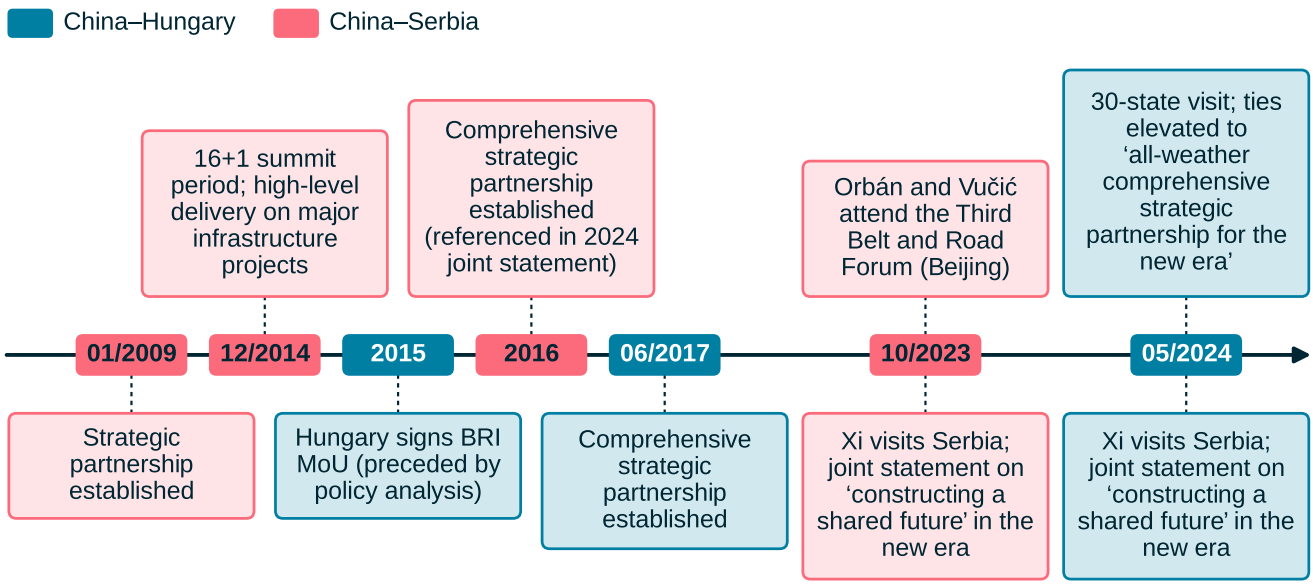
21 Mitrović, 'The Dynamics of the Republic of Serbia's Cooperation with China'.

22 Export–Import Bank of China (2022), 'The Belgrade–Stara Pazova section of the Belgrade–Budapest railway in Serbia financed by China Eximbank was put into operation on 19 March 2022', 21 March, http://english.eximbank.gov.cn/News/NewsR/202206/t20220629_40867.html.

23 CRGL/China Railway Group Limited (2026), 'Budapest–Belgrade Railway (Hungarian section) officially launches freight services' 13 March, https://www.crecg.com/zgztywz/cs11/10210606/2026030915235058802/index.html.

Political relations have deepened alongside these economic ties. Serbia has been considered a Chinese strategic partner since 2009.24 Both Viktor Orbán and Aleksandar Vučić attended the Belt and Road Forum in October 2023,25 and Xi Jinping visited both Hungary and Serbia in May 2024.26 A 2024 China–Hungary joint statement elevated bilateral relations to an 'all-weather comprehensive strategic partnership for the new era', linked cooperation to the BRI and Hungary's 'Eastern Opening', and identified the Hungary–Serbia railway as a landmark BRI/China–CEE project.[27]

Figure 2: Key political milestones in China's relationships with Hungary and Serbia.



These relationships also create economic vulnerabilities. Hungary's sustained and growing trade deficit signals dependence on Chinese manufactured imports, including electronics, machinery, and textiles, while its exports are less dynamic and concentrated in fewer competitive categories.[28] Combined with large Chinese investments in strategic sectors, this can increase supply-chain exposure and

24 MOFA (n.d.), 'China and Serbia', https://www.fmprc.gov.cn/eng/gjhdq_665435/3265_665445/3260_664742/.

25 MOFA (2023), 'Chair's statement of the Third Belt and Road Forum for International Cooperation', 18 October, https://www.fmprc.gov.cn/eng/zy/gb/202405/t20240531_11367501.html.

26 MOFA (2024), 'Joint statement between the People's Republic of China and Hungary on the establishment of an all-weather comprehensive strategic partnership for the new era', 10 May, https://www.fmprc.gov.cn/eng/zy/gb/202405/t20240531_11367513.html; MOFA, *China and Serbia*.

27 MOFA, 'Joint statement between the People's Republic of China and Hungary'.

28 KSH/Központi Statisztikai Hivatal (2025), *kkr0008.csv* (STADAT database), https://www.ksh.hu/stadat_files/kkr/en/kkr0008.csv; K. Bándy, G. I. Neszmélyi, and P. Koudela, P. (2024), 'The Impacts of the Eastern Opening Strategy on the Bilateral Trade and Investment between Hungary and the Asian Economies', *Journal of Infrastructure, Policy and Development*, 8(16), 9047.

create political-economy incentives for stable bilateral relations despite wider EU–China tensions.[29] Serbia's exports to China are increasingly concentrated in copper, supporting rapid export growth but raising exposure to commodity-price cycles and decisions by dominant mining assets and buyers.[30] Its continuing

trade deficit also indicates that resource exports have not offset rising imports of higher-technology goods.[31]

The Budapest–Belgrade railway brings these broader tensions together. Non-transparent procurement, EU scrutiny, cost concerns, and implementation delays have accompanied the project.[32] In Hungary, its reliance on Chinese financing and loan-based infrastructure rather than 'employment-producing productive capacity' has been a further source of controversy.[33]

The Budapest–Belgrade railway project

This paper aims to investigate the aforementioned issues related to the construction of the Budapest–Belgrade railway. Four main topics will be scrutinised: corruption, concerns around construction, the economic/financial model, and the regulatory and legal framework in Serbia and Hungary, especially around procurement. The discussion is based on stakeholder interviews in Hungary and Serbia (identified by the abbreviations provided in the Annex; see Table A1), as well as the findings of the official investigation of the Novi Sad incident.

The railroad connecting Belgrade and Budapest was kickstarted by the EU-funded program 'Western Balkans Infrastructure Facility'. Yet the Serbian and Hungarian governments rejected the EU's proposal, which had an estimated price of €340m (consisting of 20% grant money and 80% loaned money) and projected that the railway's speed would reach 160 km/h. Instead, they took a much pricier offer from the China Exim Bank, arguing that they wanted a maximum of 200 km/h instead of the standard 140 or 150 km/h in Europe for pan-European corridors (SER03).

29 Stangherlin, *Hungary and Serbia*; MOFA, 'Joint statement between the People's Republic of China and Hungary'.

30 S. Vladisavljev (2025), 'Has the China Free Trade Agreement paid off for Serbia?', Mercator Institute for China Studies (MERICS), 20 August; S. Filipović (2024), 'Serbia between China and the EU: Analysis of foreign trade commodity exchange', Dijalozi: China and the Global Actors (Institute of International Politics and Economics/Institute of Social Sciences, Serbia).

31 Filipović, 'Serbia between China and the EU'.

32 Mitrović, 'The Dynamics of the Republic of Serbia's Cooperation with China'.

33 Ferchen, 'China's troubled Hungary–Serbia railway project'.

While the EU had paid around €5m in documentation preparation, its support ultimately was put aside because the Chinese bid was chosen. This consisted of a sovereign loan from China with a substantially higher interest rate. Serbia signed several financial agreements with China Exim Bank for different sections of its rail corridor, totalling around €1.2bn, with a 2% fixed interest rate and a 20-year term, covering 85% of the project's value.[34] Hungary took a similar loan of approximately €1.65–1.75bn, with a 2.5% fixed annual interest rate, again covering 85% of the cost.[35] Yet, as acknowledged by the literature, accepting a Chinese loan would imply not having to abide by the EU's conditionality in issues ranging from financial transparency to environmental protection,[36] since the Chinese do not ask questions about how funds are deployed (SER03). In Serbia, the key Chinese state-owned enterprises involved were China Communications Construction Company (CCCC) and China Railway International Group (CRIG), while in Hungary the consortium included China Tiejiuju Engineering & Construction and China Railway Electrification Engineering Group.[37]

Beyond locomotives' maximum speed, the actual design of the railway that was adjudicated has been criticised for poorly serving local populations in Hungary and in Serbia, as it does not connect major cities in either of those two countries. Instead, it is considered a project conceived only to satisfy Beijing's requirements (HUN02). It was needed because the Ukraine–Russia conflict had led to the closure of the railway previously connecting Hungary to the rest of Europe, and 'Hungary is a main cargo point for Chinese businesses' (SER01). Without a new railway, China was left only with the Thessaloniki port, whose relatively remote location implied more protracted timelines for moving cargo. This shows how the Russia–Ukraine conflict motivated Chinese investors to complete the Hungary–Serbia portion of the railroad (SER01). Relatedly, building this railway would become a 'reference work' for China (HUN02). Moreover, the design of the bid that was selected to construct this railway has also been criticised, as initially it did not include passenger travel at all (this feature was subsequently added, following outcry from local stakeholders) (HUN01).

34 AIDDATA (n.d.), 'China Eximbank provides $297.6 million preferential buyer's credit'; Wikipedia (n.d.), 'Budapest–Belgrade railway', https://en.wikipedia.org/wiki/Budapest%E2%80%93Belgrade_railway.

35 GCR/Global Construction Review (2020), 'Hungary signs $1.9bn loan deal with China for railway to Belgrade' 27 April, https://www.globalconstructionreview.com/hungary-signs-19bn-loan-deal-china-railway-belgrad/.

36 K. Tsimonis, I. Rogelja, I. Ciuta, A. Frantzeskaki, E. Nikolovska, and B. Pesha (2020), 'A Synergy of Failures: Environmental Protection and Chinese Capital in Southeast Europe', *Journal of Current Chinese Affairs*, 48(2), 171–200.

37 AIDDATA, 'China Eximbank provides $297.6 million preferential buyer's credit'.

Economic and financial model

Although the basic terms of the China Exim Bank financing are known, the wider financial architecture of the project has remained highly opaque. Confidentiality has covered not only the agreements themselves but also the reasoning behind the decision to award the project to Chinese state-owned companies rather than accept the EU proposal (HUN01). Hungarian and Serbian authorities have justified nondisclosure by invoking Chinese interests and the bilateral diplomatic relationship, and information has remained confidential even after successful legal challenges under freedom-of-information (FOI) rules (HUN01). This lack of transparency is important, since Serbian investigators using comparative analysis and financial forensics identified multiple red flags indicating possible corruption (SER02).

The confidentiality concerns both the financing arrangements and accountability for choosing them (HUN01). Questions about why the Chinese option was selected were answered by reference to bilateral diplomatic interests rather than disclosure of the underlying documentation (HUN01).

The financing choice also raises questions about economic rationality. The EU proposal was priced at €340m, 80% of which would have been financed through loans, whereas the Chinese proposal was initially estimated at €1.1bn – more than three times as much. The Chinese-financed construction model also relied on a multi-layered chain of contractors and subcontractors, extending to five or six levels in some cases, with Chinese companies occupying the first two layers (SER02). Investigators suspect that some funds did not reach Serbia but were instead channelled as consulting fees to offshore companies in Hong Kong allegedly owned by Serbian politicians (SER02).

The same investigation found untraceable expenditure, allegedly false financial documentation, and a pattern in which inflated prices were paid for lower-quality products – that is, the financial irregularities were more than isolated accounting errors (SER02). Such practices were directly linked to concerns about the quality of public infrastructure, including the risks illustrated by the Novi Sad canopy collapse (SER02). These problems compound the project's already questionable financial return: taking account of its substantially higher cost, alleged diversion of funds, and inflated material prices, one report estimated that the railway 'would pay for itself in 979 years'.[38] In this account, the financial model and construction-quality concerns are therefore closely related, rather than separate, dimensions of the project (SER02).

[38] A. Kálmán (2021), 'From Budapest to Belgrade: a railway line increases Chinese influence in the Balkans', Investigate Europe, 28 December, https://www.investigate-europe.eu/posts/from-budapest-to-belgrade-a-railway-line-increases-chinese-influence-in-the-balkans.

Alleged corruption

Any assessment of corruption must remain qualified because full financial documentation has not been accessible in either Hungary or Serbia. Nevertheless, it has been estimated that approximately €700m of a €1.2bn project value was lost through corruption (SER02). The Serbian investigation also identified contractual arrangements that, in its assessment, created opportunities for diversion of public funds. In particular, Article 4 of Annex 4 of the railroad financing contract provided for the Serbian government to allocate roughly $15–20m to a Chinese contractor for works defined by the investor, while the contractor could determine subcontracting arrangements and exercise control over the works (SER02). This arrangement has been interpreted as allowing funds to be transferred through subcontractors subject to a 7% fee, despite passing through several formal levels of public control (SER02).

This structure was embedded in a broader contractor hierarchy. The financing model was described as one in which a sovereign Chinese loan was tied to the appointment of a Chinese main contractor, who would retain approximately 20–25% before subcontracting further work (SER03). In reality, the chain extended to five or six levels (SER02), and the resulting system was characterised as involving corrupt practices on both the Serbian and Chinese sides (SER03).

These unethical arrangements, bankrolled by Serbian public funds, were subjected to four levels of control but persisted unchecked (SER02). This is important because the alleged corruption was not described simply as evasion of an otherwise functioning oversight system, but as occurring through contractual and subcontracting arrangements that oversight mechanisms failed to stop (SER02).

The Hungarian section of the railway raises parallel concerns about political connections. The winning consortium combined Chinese companies with a Hungarian firm indirectly owned by Lőrinc Mészáros, a close associate of Prime Minister Viktor Orbán (HUN01). Interviewee HUN01 also questioned whether the selected firms had all the necessary qualifications, noting that neither Mészáros's company nor the Chinese firms held the certification required to install a particular railway system, and that a Czech company possessing that certification was subsequently acquired. Taken together, these observations raise suspicions that political connections and the structure of the consortium were prioritised over technical capacity and project quality.

The regulatory framework

The regulatory problems surrounding the railway reflect both differences between the EU and Chinese offers and weaknesses in domestic enforcement. While the EU bid was prepared 'by the book' (including an environmental assessment), comparable safeguards could not be identified in the accessible parts of the Chinese contract (SER01). According to the interviews undertaken for this paper, decision-making power in Serbia was largely restricted to the president, his head of staff, officials in the Ministry of Civil Engineering, and the Chinese ambassador, producing a highly opaque process (SER01). The regulatory asymmetry between the two sections of the railway was also significant: Serbia did not have to comply with the full set of EU rules applicable to the Hungarian section (HUN01).

These problems became particularly consequential after the concrete canopy at the renovated Novi Sad railway station collapsed on 1 November 2024, killing 16 people and triggering mass demonstrations (SER03). An expert investigation and prosecutorial proceedings followed, but SER03 reported that subsequent legislative changes weakened the capacity of prosecutors, slowed the proceedings, and left the investigation stalled without sanctions (SER03). The disruption was attributed to the collection of judicial amendments referred to as Mrdić's Laws, which limited investigators' powers and removed prosecutors from the special taskforce, contributing to a dispute with the EU (SER01).

Yet such issues predated the accident. Investigators found that Serbian companies participating in the project did not comply with public regulation and financial-reporting rules, pointing to failures of domestic enforcement (SER02). Chinese state-owned companies adapted to the permissiveness of the local environment and operated with as much leeway as domestic political actors allowed them to (SER02). The investigation also identified a contractual addition under which the Chinese side would be relieved of future responsibility if the Serbian government opened the railway without its explicit agreement, notwithstanding warranty provisions (SER02).

The investigation thus points not simply to the absence of regulation, but to a gap between formal rules and their enforcement. The conduct of Chinese state companies was conditioned by what Serbian political authorities permitted, making domestic governance central to the operation of the project (SER02).

Environmental and social safeguards were similarly affected by lack of transparency and weak enforcement. The interviews could not establish whether an adequate environmental assessment had been conducted because relevant information remained confidential. In Hungary, land confiscations were reported in connection with construction (HUN02). Interviewee HUN02 also described negative effects on communities along the route, including settlements divided by the railway and residents sometimes having to wait around half an hour to cross

the line. The railway's limited passenger functionality and failure to connect major cities further limit local benefits. Finally, the interviewee pointed to overwork, low pay, and insecure working conditions, alongside weak enforcement of labour regulations (HUN02).

Construction issues

The governance weaknesses identified above were accompanied by specific problems affecting construction, certification, and supervision. In Serbia, only 67 of 200 registered subcontractors were reportedly certified, and subcontracting did not comply with Serbian public procurement legislation (SER01). Oversight was also deficient: according to an interviewee, the relevant civil-engineering inspection authority never visited the construction site of the Novi Sad railway station, despite its proximity to the ministry office responsible for the project (SER01).

The Serbian investigation identified several indications that concerns raised during supervision were not adequately addressed. Logs recorded an official supervisor's dissatisfaction with contractors' work, but there is no evidence of subsequent follow-up (SER02). Investigators also found that the quality of the concrete used did not meet design specifications and that infrastructure elements, including network poles, deviated from prescribed spacing or height requirements (SER02). Joints were reportedly below the required quality, with post-construction inspection finding dilation approaching one centimetre in some cases (SER02). The same interviewee reported inadequate compaction of the shoulders stabilising the railway and erosion associated with improperly implemented drainage, leading the interviewee to conclude that there were 'serious issues with the security of the whole road' (SER02).

Problems were also reported for the Hungarian section, including the use of iron railway components dated to the 1970s (HUN02) and other construction-quality concerns.[39] More broadly, the interviewees questioned the effectiveness of external supervision. Etiber, a Hungarian company, and Aegis, a French company, were responsible for quality control and oversight of the works (SER01; SER02). Aegis has also been awarded supervisory roles for Exhibition 2027 and other major Serbian projects, including the Belgrade subway and Serbian nuclear power programme, despite having been blacklisted by the European Bank for Reconstruction and Development and the World Bank (SER02).

[39] HVG (2024), 'A NAV nem nyomoz a Budapest–Belgrád vasút sínei és a kövek miatt, mert a MÁV azt mondta, minden rendben van', 15 December, https://hvg.hu/gazdasag/20241215_NAV-Budapest-Belgrad-vasut-sinei-kovek-mav-Hadhazy.

Chinese soft power in Europe

The railway's design and implementation were political as well as technical outcomes. The project brought together two of Beijing's closest European partners, Viktor Orbán and Aleksandar Vučić, while politically connected domestic actors participated in its consortium and subcontracting structures. The evidence indicates that opaque procurement, weak oversight, and alleged corruption were enabled by the Hungarian and Serbian political systems rather than imposed by Chinese companies alone (HUN01; SER02; SER03). In Serbia, legislative changes associated with the Mrdić Laws further weakened accountability by limiting investigators' powers and removing prosecutors from the relevant taskforce (SER01; SER03).

Despite these problems, the railway appears to have had only a limited negative impact on China's image in Serbia. The public did not generally identify the Chinese company as the project's legally responsible main contractor, even after allegations concerning corruption and poor-quality materials appeared in the Serbian press (SER03). Responsibility was directed primarily towards domestic subcontractors and political actors. China consequently continued to be perceived as a 'neutral and still benevolent force' that had helped provide infrastructure Serbia lacked (SER03). Domestic attribution of responsibility thus insulated Beijing's reputation from the project's failures.

The Hungarian case followed a different trajectory. The governing system initially treated China as an 'ally in terms of financial problems', particularly after substantial EU funding for Hungary had been frozen or cancelled and the government sought alternative financing (HUN02). As the 2025 electoral campaign progressed, however, Orbán's relationship with Beijing increasingly became a liability amid attention to corruption allegations, technical failures, and limited domestic benefits (HUN01; HUN02). This shift was apparent in the official launch of the project, which lacked high-level political representation. HUN01 interpreted the limited publicity and absence of both the prime minister and foreign minister as an attempt to keep the event 'as low-profile as possible' (HUN01).

The subdued launch also reflected unresolved operational problems. Although the Hungarian section had formally opened, technical deficiencies reportedly prevented it from operating as intended. Trains could not exceed 100 km/h, and the line was not yet suitable for passenger transport despite expectations that it would serve passengers as well as freight (HUN01).[40] These shortcomings weakened the project's value as a demonstration of Chinese technological and infrastructural capacity, showing how the reputational benefits of connectivity projects can be reversed when political deadlines take precedence over functionality and credible delivery.

[40] Railway Pro (2026), 'Problematic start for the Budapest–Belgrade railway', 2 March, https://www.railwaypro.com/wp/problematic-start-for-the-budapest-belgrade-railway/.

A potential future government under Péter Magyar might adopt a more cautious approach to China, more because of a closer alignment with the EU's China policy than due to the railway experience per se (HUN01). Such a regime would probably pursue a more pragmatic relationship and give greater weight to Hungarian economic interests (HUN01). This reassessment would also reflect the structure of recent Chinese investment, particularly in EV battery production, which has largely involved assembly activities and generated limited technological spillovers or 'upgrading opportunities for the Hungarian economy' (HUN01). Chinese investment may therefore lose political appeal when its headline value is not matched by technological development and broadly distributed domestic benefits.

Closer EU alignment would also make Hungary more receptive to the European economic security agenda. HUN01 anticipated stronger pressure from Brussels and, consequently, a more sensitive approach to Chinese investment in Hungary (HUN01). This would be a departure from the previous government's approach, which HUN02 described as exploiting regulatory loopholes to facilitate Chinese projects despite their wider costs (HUN02). The Hungarian case therefore shows that Chinese soft power is neither automatic nor stable. Its effect depends on whether Chinese financing meets immediate domestic needs, whether projects deliver credible local benefits, and whether national policy remains insulated from EU economic security rules. As these conditions change, a previously valuable relationship with Beijing can become harder for domestic leaders to defend.

Europe's opportunity

The cases of Hungary and Serbia show that Chinese investment does not operate in a vacuum. Its effects are shaped by domestic political environments, procurement systems, and the willingness of national governments to enforce standards. In both countries, close political alignment with Beijing created favourable conditions for Chinese financing and state-owned enterprises. However, this alignment also enabled confidentiality, poor scrutiny, and a financing model that prioritised political and geopolitical objectives over economic viability. The decision to reject cheaper EU-backed alternatives in favour of Chinese loans significantly increased the cost of the project, while the expected economic return remains highly questionable.

The paper's findings also stress that corruption and weak oversight are not secondary problems but central to understanding the railway's development. The subcontracting chains, inflated costs, alleged diversion of funds, and lack of transparency surrounding contractual and financial documents point to a model in which public infrastructure became vulnerable to elite capture. In

Serbia, the Novi Sad canopy collapse tragically highlighted the possible human consequences of poor construction quality and insufficient supervision. In Hungary, the involvement of politically connected business actors similarly raises concerns about the relationship between Chinese capital, domestic patronage networks, and the erosion of procurement standards.

Importantly, the paper's conclusions also relate to Europe's own offer, both in terms of its attractiveness and oversight capacity. Serbia and Hungary opted for China's bid because it created a lax environment that enabled corruption and low levels of oversight, not in spite of it. Taking stock, the EU should move from conditionality to a European 'delivery model'. The EU will only be able to seize the opportunity created by the weaknesses of Chinese soft power if it can credibly offer something more appealing than infrastructure corruption: faster delivery, cheaper financing, enforceable standards, and demonstrable local benefits.

In Serbia, China's image has survived relatively unscathed because responsibility for failures has often been attributed to domestic actors rather than Chinese contractors. In Hungary, however, the railway has increasingly become a political liability, particularly as technical failures, corruption allegations, and limited public benefits have become more visible. This contrast shows that Chinese influence depends heavily on local political narratives, media environments, and public perceptions. For the EU, the takeaway is the importance of transparency. Considering the costs that weak oversight, insufficient scrutiny, and alleged corruption created for European citizens, the EU should advocate for their right to access key information regarding infrastructure projects. This is particularly relevant given the fact that opaqueness and confidentiality surrounding procurement and subcontracting arrangements became the main enablers of the alleged corruption.

Conclusion

The trajectory of the Budapest–Belgrade railway project suggests that the main challenge for the EU is not simply Chinese investment itself, but the governance gaps that allow strategic infrastructure projects to proceed without transparency, accountability, or alignment with EU standards. The project reveals how Chinese financing can exploit regulatory asymmetries between Member States and candidate countries, while also testing EU cohesion on procurement, enlargement, economic security, and foreign policy. A more effective EU response must therefore combine investment screening, procurement discipline, accession conditionality, and credible alternative financing. Without such measures, similar projects may continue to undermine public trust, fiscal sustainability, and the EU's strategic interests.

Policy recommendations

In light of the foregoing analysis and conclusions, the paper puts forward the following policy recommendations. Their implementation would enable the EU to target broader issues related to Chinese investment in Member States and candidate states (regardless of whether they are part of the BRI), particularly those concerning critical infrastructure.

- **Strengthen the EU International Procurement Instrument.** The EU should use the International Procurement Instrument more actively to restrict access for firms from countries that do not offer reciprocal procurement access, especially in critical infrastructure projects involving state-backed Chinese companies. Its application should address the procurement asymmetries that allow state-backed firms to benefit from European markets without making access available abroad. In projects such as the Budapest–Belgrade railway, stronger procurement discipline would reduce opportunities for opaque contracting and politically connected consortia. Any restrictions should be linked to transparent tendering, disclosure of financing arrangements, scrutiny of subcontracting chains, and compliance with EU labour, environmental, safety, and competition standards.

- **Treat railway, port, energy, battery, and digital infrastructure as sensitive sectors.** EU economic security rules should explicitly treat railway, port, energy, battery, and digital infrastructure as sensitive sectors in both Member States and candidate countries. Projects involving non-EU state-backed firms should face enhanced scrutiny before contracts are awarded or construction begins. Assessments should examine strategic dependencies, security risks, market distortions, financing conditions, local economic benefits, and the capacity of authorities to enforce relevant standards. Applying comparable safeguards across the EU and accession countries would reduce the regulatory asymmetries exposed by the Budapest–Belgrade railway and prevent weaker governance environments from becoming entry points for opaque, politically driven, or inadequately supervised infrastructure projects.

- **Create an EU overcapacity and subsidy-response instrument.** The EU should develop World Trade Organization-compatible tools to respond to state-subsidised Chinese firms that gain dominance in strategic sectors through artificially low prices. These tools could include tariff quotas, anti-subsidy investigations, and stricter conditions for participation in public procurement, particularly where state support creates market distortions or weakens competition. The objective should be to protect the integrity of infrastructure markets while preserving an open and rules-based approach. Measures should complement investment screening and procurement oversight by examining financing models, ownership structures, and the role of state-

backed contractors. A coordinated response would limit dependency and strengthen the EU's capacity to safeguard strategic sectors.

- **Link EU funds and accession support to procurement transparency**. Access to EU funds and accession-related support should be made conditional on transparency in strategic infrastructure procurement. Member States and candidate countries should publish contracts, financing terms, feasibility studies, environmental assessments, tendering decisions, and complete subcontracting chains in a timely manner. These requirements would directly address the confidentiality and weak accountability that enabled alleged corruption, inflated costs, and poor supervision in the Budapest–Belgrade railway project. Where authorities fail to disclose the required information or enforce procurement, labour, environmental, and safety rules, the EU should suspend or reduce support. Conditionality should be applied consistently and accompanied by credible alternative European financing.

- **Establish an EU monitoring and compliance mechanism for strategic infrastructure projects in candidate states.** The EU should create a dedicated monitoring mechanism for large-scale infrastructure projects involving non-EU financing in accession countries. This mechanism should include independent auditing, mandatory publication of contracts and subcontractors, regular environmental and labour inspections, and oversight of procurement compliance. Candidate states that do not comply with transparency and rule-of-law standards should face consequences within the accession process. Such a mechanism would reduce the regulatory asymmetries identified in the Budapest–Belgrade railway project and help prevent corruption, weak supervision, and politically driven infrastructure decisions from undermining both public safety and EU enlargement credibility.

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Annex

Table A1: Interviews performed.

Reference	Time and place	Role
SER01	6 May 2026, online	Member of the expert independent investigative group
SER02	23 April 2026, online	Member of the expert independent investigative group
SER03	14 April 2026, online	Think-tank member
HUN01	27 April 2026, online	Academic
HUN02	21 April 2026, online	Policymaker

Author bio

Laia Comerma is a postdoctoral researcher under the Hans van Baalen scholarship. She completed her PhD at the Pompeu Fabra University (UPF) and the Barcelona Institute for International Studies (IBEI). Her doctoral dissertation, "The influence of the EU–China economic relationship towards the reconfiguration of the economic regime of global governance", analyses the norms, rules and institutions structuring the foreign policy relation between China and the EU, and how they are being reformed due to their interaction in the fields of investment, trade, and development infrastructure. Her research fields of interest are foreign policy analysis, Chinese and EU foreign policy, and EU–China relations. She holds a MSc in International relations from the London School of Economics (LSE) and a BA in Philosophy, Politics and Economics from UPF-UAM-UC3M.

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