

**Make Haste Slowly:  
The Safeguards of Quality and Sustainability**  
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## **Introduction**

Coming from Greece, I have taken the liberty of giving my presentation a title based on an ancient Greek saying: *Speude vradeos* (Σπεῦδε βραδέως), meaning ‘Make Haste Slowly’! At the time of the Roman empire, this phrase was translated into Latin, which sounds like this, *Festina lente*.

Now, ‘make haste slowly’ is an oxymoron, isn’t it? But it is a deliberate oxymoron and, essentially, the intent of this phrase is ‘Proceed expeditiously, but prudently’. In other words:

- Everything should be performed with a proper balance of urgency and diligence.
- Otherwise, if tasks are overly rushed, mistakes are likely to be made, while long-term and high-quality results are unlikely to be achieved.

If we move away from antiquity and step into modern times, yet another simile to use would be to think of a car which has both an accelerator and a brake. Driving safely and wisely boils down to using properly both the accelerator and the brake, doesn’t it? Presumably, this could be seen as a more comprehensible rendition of the phrase ‘Make Haste Slowly’.

## **Broader Conceptual Framework**

But why such a topic? Why speak about ‘making haste slowly’ at an ASEM seminar on Quality Infrastructure? Because one of the biggest challenges of our time is striking a delicate balance between two conflicting priorities: speed and quality.

- ✓ On the one hand, speed is a key feature of our rapidly changing world. It is not an exaggeration to say that all around the globe and on a daily basis we are struggling to keep pace with new developments, new technologies, new concepts and new challenges. We are called upon to react promptly and cannot push solutions back in time, waiting for a more opportune moment.
- ✓ On the other hand, quality is an imperative for sustainability in a world that displays dangerously - and increasingly - high levels of vulnerability and fragility. Climate change, to pick an obvious example, has been more acutely felt this year than at any other time in the recent history of the planet.

I would argue that this dilemma, speed or quality, is a common theme running across a large part of the connectivity discourse within the ASEM process. And while this is visible all across the board, I am here focusing on the first pillar on economic co-operation, which includes, *inter alia*, the construction of large-scale infrastructure. This brings us to the issue of safeguards of quality and sustainability.

What can these safeguards be? To name four of them, arguably the most significant ones:

- ✓ Ensuring consensus among key stakeholders, so that subsequent disputes do not undermine the viability of large-scale infrastructure projects. The infrastructure built will be sustainable in the long run only if it is aligned with socio-economic development strategies of host countries and regions.

- ✓ Legal clarity, as a *sine qua non* of a rules-based order. Legal clarity and certainty also help avoid time-consuming disputes. Extra time spent on clarifying ambiguities leads to cost overruns and, above all, loss of development dividends.
- ✓ Transparency, which ensures a level-playing field, cost-efficiency and helps nip in the bud the temptation for resources to be diverted from their initially planned use. Equally importantly, transparency helps avoid suspicion, which could easily ‘poison’ the acceptance of meaningful infrastructure projects.
- ✓ Sound financial planning, which includes full life-cycle costing, i.e. both construction and maintenance cost. That is the best way to avoid unpleasant surprises, such as non-calculated risks.

## **Sustainable ASEM Connectivity**

In fact, all the above ‘safeguards’ are already enshrined in key policy documents adopted by the international community. The importance of quality infrastructure investment has been confirmed in recent years by the 2030 agenda for sustainable development, decisions made at G-20 summits (e.g. the Global Infrastructure Initiative adopted in Brisbane in November 2014 or the final communiqué of the Hangzhou summit in September 2016), G-7 summits (e.g. the Ise-Shima Principles of May 2016), etc.

The same applies to the ASEM definition of connectivity agreed by the ASEM Pathfinder Group on Connectivity in November 2017. According to that definition, ASEM connectivity should be *‘result-oriented, and in support of the following key principles: level playing field, free and open trade, market principles, multi-dimensionality, inclusiveness, fairness, openness, transparency, financial viability, cost-effectiveness and mutual benefits. It should also contribute to the materialisation of the principles, goals and targets of the 2030 Agenda for Sustainable Development. Sustainability is one of the important quality benchmarks for the connectivity initiatives in the ASEM context.’*

## **Illustrating some key ASEM connectivity notions**

It would be helpful at this point to look at a specific example that illustrates some key ASEM connectivity notions and the challenge of their interpretation. This is the Belgrade-Budapest high-speed railway project, which has been in the news for five years now.

It is a prime example of ASEM connectivity, inasmuch it is driven by China as part of its flagship Belt & Road Initiative (BRI) and involves European countries. In fact, it is only a section of a much larger transport corridor, the so-called Land Express Line, promoted by China, from the sea port of Piraeus to Budapest at the heart of Europe, thus linking four states – Greece, the former Yugoslav republic of Macedonia, Serbia and Hungary.

At the 2013 summit of 16+1 leaders in Bucharest, three countries (China, Serbia and Hungary) signed an MoU for the upgrading of a 350 km high-speed railway from Belgrade to Budapest, reportedly at a cost of \$2.9 billion. The project envisages the upgrading and modernisation of the outdated railway track between Belgrade and Budapest. Travel time is expected to be slashed from eight hours to three and a half hours, and the maximum speed of the track is designed to be up to 160 km per hour.

Subsequently, a consortium of the China Railway Group (CRG), China Railway Corporation (CRC) and the Hungarian State Railways (HSR) was awarded a €1.5 billion contract to refurbish the 160 km Hungarian section of the track. With regard to the sources of finance, the Chinese side offered a 20-year loan, reportedly at a 2.5% interest rate – the loan corresponds to 85% of the budget of the

Hungarian subproject and is to be provided by the Export–Import (Exim) Bank of China. In Serbia, a consortium of China Railways International and China Communications Construction Company has been picked as the main contractor on the project. Work on the Serbian section will also be financed through a 20-year China Exim Bank loan, with a five-year grace period.

However, after the initial contract was awarded in Hungary, there was a salvo of objections and a number of observers challenged the expediency of the project. The main thrust of related questions is to what extent the project ensures mutual benefits and whether it serves primarily Chinese interests. Some of the objections to the initial contract were that:

- The Chinese construction companies CRG and CRC were to get paid for their work.
- The Export–Import Bank of China was to make a decent profit on the its loan.
- The upgraded railway track would benefit mostly Chinese exports to Europe.
- Last but not least, there was no clear-cut strategy for the attraction of foreign (including Chinese) investors to industrial zones along the railway in Hungary with a view to the construction of factories, logistical centres, shared service centres (SSCs), and eventually job creation. The primary goal seemed to be the speedy transportation of goods, mostly Chinese commodities, between the eastern Mediterranean and central Europe.

The picture did not look any better, due to the secretive nature of relevant discussions. The most important details of the contract were not made public, which only triggered suspicion and necessitated investigative journalism. According to some reports, if interest on the Chinese loan (estimated at \$500m to \$800m) was properly factored in, the overall project cost could go up to \$3.7 billion) and it would be more than a century before the Hungarian state could expect some profit.

The project was reviewed by Brussels for a potential infringement of the European Union’s requirement that public tenders be carried out for such large-scale infrastructure projects. None was offered in this case. The investigation launched by the European Commission was mainly directed at Hungary, which is a full-fledged EU member, rather than Serbia, whose ‘prospective member’ status does not render it subject to binding EU rules and regulations on fair competition. After quite some bickering and arm-twisting, there was a change of heart. In November 2017 Hungary's state-run railway operator MAV published a tender for the overhaul of the Hungarian section of the railway track. According to the government in Budapest, it now plans to award the contract for the project by the end of 2018. Two Hungarian-Chinese consortia, are reported to have submitted valid bids, while technical negotiations should be held in September, these very days. According to the initial plan discussed back in 2013, the high-speed railway was to become fully operational by the end of 2017. The timeline has now been updated and the project is to be completed by 2023, which is still a goal, not a given.

What are we learning from this example?

If I may go back to the four ‘safeguards’ I highlighted previously, the Belgrade-Budapest railway project could be assessed as follows:

- ✓ Ensuring consensus among key stakeholders: The initial project was not based on a comprehensive and genuinely ‘win-win’ development strategy, one that would envisage significant potential benefits to be drawn by the host country. In that case, the principles of inclusiveness and mutual benefits, enshrined in the ASEM definition of connectivity, were not duly respected.
- ✓ Legal clarity: The initial contract deviated from EU rules and regulations on fair competition in public procurement, which triggered the European Commission’s investigation into this case. As a result of the delay, if the project is completed in 2023, that will be six years later than the initial deadline and ten years after relevant deliberations began.

- ✓ Transparency: The fact that the initial contract was not published caused objections and suspicion, which could undermine the sustainability of the railway in the long run.
- ✓ Sound financial planning: In conjunction with the lack of transparency, question marks lingered over the issue of debt servicing and the overall cost of the project.

If you allow me one last reference to antiquity, the Greek philosopher Aristotle put it eloquently some 25 centuries ago: There are two kinds of examples - those to be emulated and those to be avoided, and both are equally useful. I can confidently say that we are all learning from the Belgrade-Budapest railway project and this definitely contributes to better understanding among partners within the broader ASEM framework. Furthermore, on a more technical level, this example helps us identify ‘safeguards’ that could enhance the quality and sustainability of infrastructure. If anything, we are learning that building reliable and sustainable infrastructure takes time, no matter how much we are in a hurry.

## **Conclusions**

So, how do we address this tantalising dilemma between speed and quality? The EU approach to high-quality infrastructure development is based on two key notions – or shall I say two key actors: Standards as ‘Business Angels’ and Indicators as ‘Quality Guardians’.

The cohort of ‘Business Angels’ includes clear-cut standards in terms of transparency, environmental protection, labour safety, social cohesion, etc., assisted by a legion of ‘quality guardians’, i.e. specific indicators. I would highlight these two notions or ‘safeguards’ as the gist of the EU contribution to the evolving ASEM debate on connectivity. Importantly, a week from now the EU/Asia connectivity strategy is to be officially presented and I am confident that the EU approach will evoke a positive response from ASEM partners. In addition, I am very much looking forward to the outcome of the ASEM summit in Brussels next month. It will no doubt be a significant milestone in the ASEM process, as the EU is expected to prioritise these ‘business angels’ and ‘quality guardians’ by coming up with some very specific proposals for their use.

Thank you for your attention!