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EUROSYSTEM

# Chinese overseas commitments and the New Silk Road: recent developments and outlook

XX European System of Central Banks Emerging Markets Workshop

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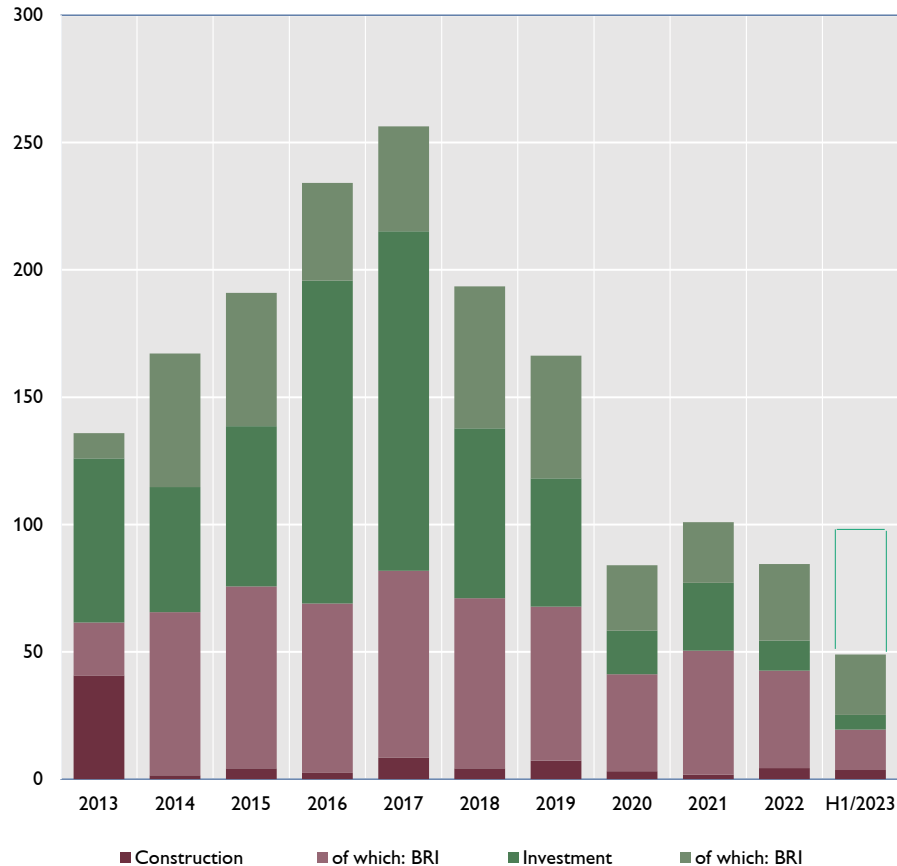
## Essential points

- Overview of **Chinese overseas investment and construction** in the last decade
- Focus on recent years (2019–mid-2023): **quantitative downsizing, regional refocusing**
- **Sectoral composition** and snapshots of **recent commitments to most important partner countries**
- **China's reaction to most recent crises** (COVID-19, interest rate hikes, Russia's war in Ukraine)
- Look at **emerging Western competition for Belt and Road Initiative (BRI)**
- **Outlook for BRI**

# Chinese global and Belt & Road investment and construction: from exuberance to moderation (2013–H1/2023)

Value of new investment and construction contracts concluded by Chinese firms globally, of which in "Belt and Road countries" \*)

USD bn



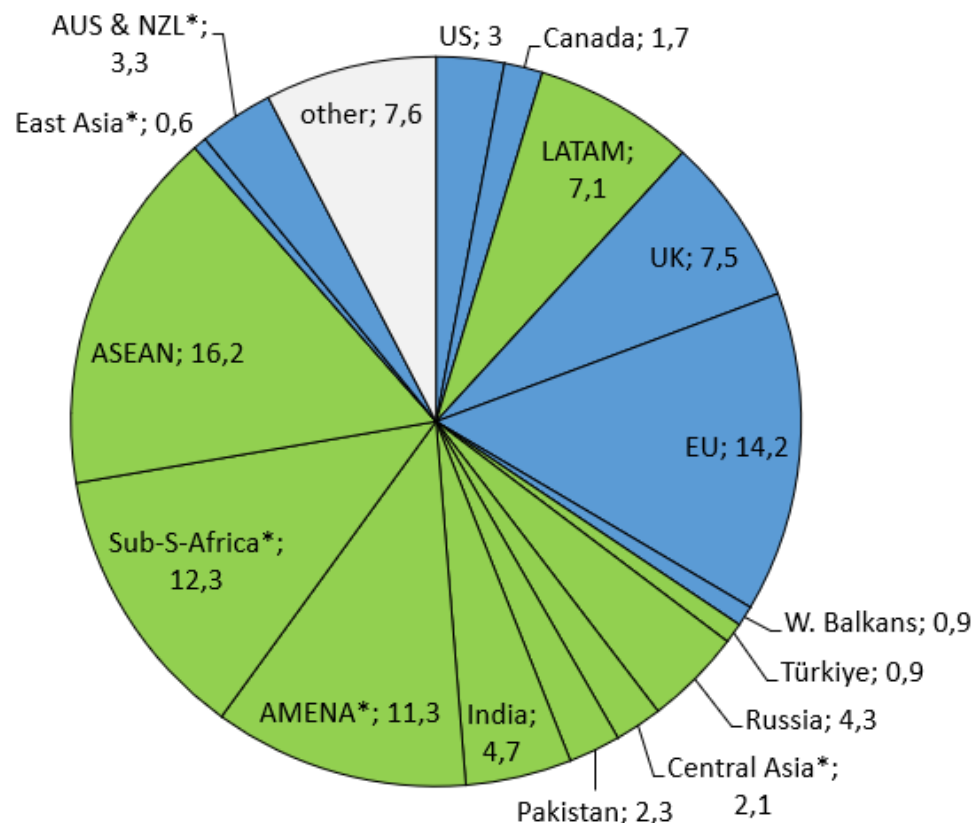
Source: China Global Investment Tracker, American Enterprise Institute

\*) countries having signed "Belt and Road" cooperation documents with China

- Project- or investment-oriented perspective
- Our data source: China Global Investment Tracker (CGIT), American Enterprise Institute
- Overseas investment and construction data as disclosed by investing firms
- CGIT only counts transactions > USD 95 million per deal
- Here: focus on China's entire overseas investment and construction data, not only on data of BRI projects
- Chinese commitments to "BRI countries" developed more positively and contracted less than engagements overall
- From 2018, political blowback against Chinese investments in the West, compared to shrinkage followed by stabilization in "BRI countries"
- About one-fifth of total: "troubled transactions"

## Global regions of Chinese inv. & constr. 2019

share (%)



- Share of West in total Chinese project expenditure shrinks from 31% in 2019 to 15% in H1/2023 (EU: 14% to 7%)
- Share of ASEAN, Middle East, Africa and Latin America expands from 47% in 2019 to 82% in H1/2023
- However: most recently setbacks in some large traditional partners/neighbors: Pakistan, Russia, India

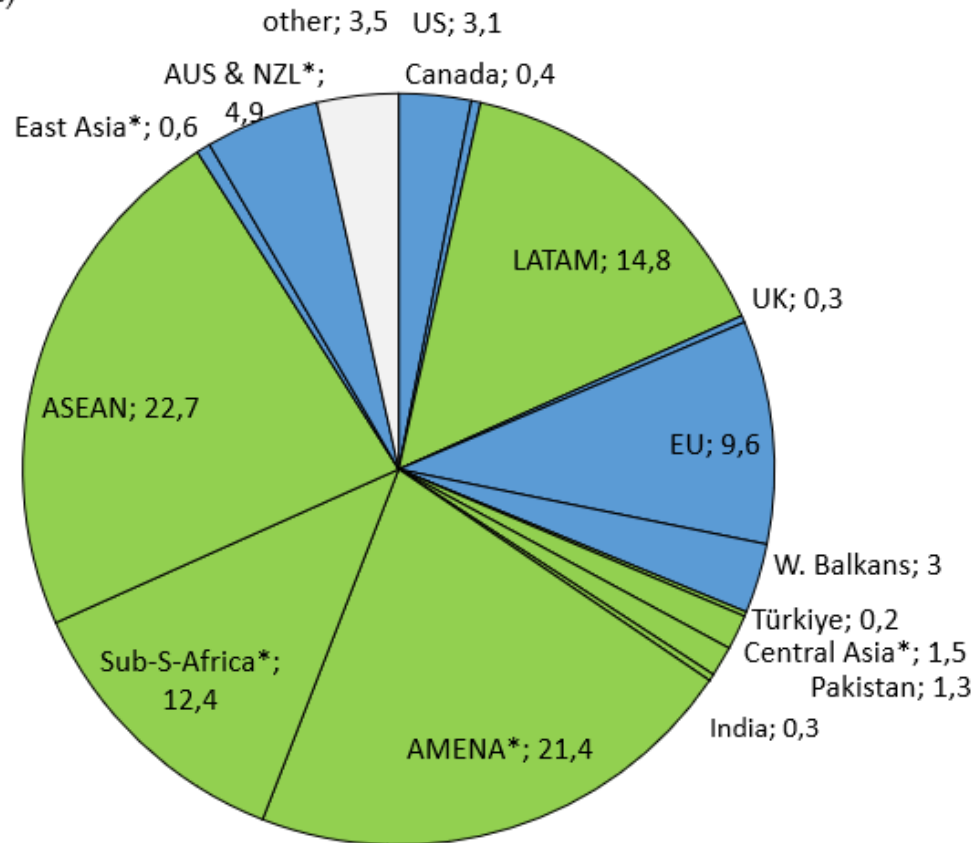
**Source:** China Global Investment Tracker, American Enterprise Institute

\* Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan; AMENA: Arab Middle East and Northern Africa; Sub-S-Africa: Sub-Saharan Africa; East Asia: Japan, South Korea, Taiwan (Rep. of China); AUS&NZL: Australia & New Zealand.

# Chinese commitments decline in the West, partly recover in the “Global South”

## Global regions of Chinese inv. & constr. 2022

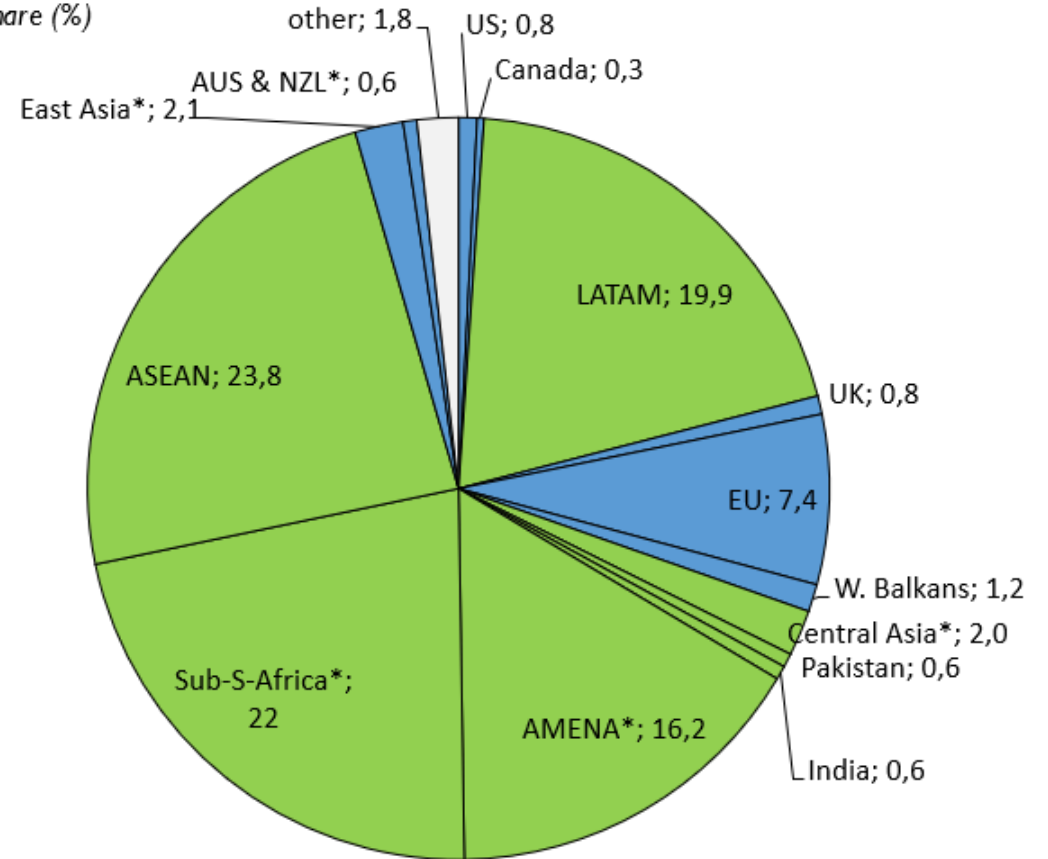
share (%)



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## Global regions of Chinese inv.&constr. H1/2023

share (%)



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# Sectoral breakdown of Chinese overseas commitments, 2019–H1/2023

Chinese global overseas investment and construction 2019-H1/2023 broken down by sector (total: USD 484.7 bn)		
Sector	Amount (USD bn)	Share of total (%)
Energy	156.1	32.2
Transportation	125.6	25.9
Metals (steel, aluminum etc)	51.5	10.6
Real estate	35.4	7.3
Entertainment	17.6	3.6
Technology	12.8	2.6
Utilities	12.4	2.6
Chemicals	11.4	2.4
Health	10.7	2.2
Agriculture	8.6	1.8
Logistics	9.1	1.7
Finance	7.5	1.5
Tourism	3.6	0.7
Other	23.4	4.8

Source: China Global Investment Tracker (CGIT)

**Energy, transportation, metals** comprise **more than two-thirds** of Chinese overseas commitments in the period from 2019 to mid-2023.

## Top six recipients, incl. BRI countries, 2019–H1/2023

### Indonesia

metals/steel	40.4%
transport/autos, rail	26.6%
energy/hydropower	14.4%
finance	10.0%
other	8.6%

Inv. & Constr.

**USD 29.47 bn**

### Saudi Arabia

energy/gas, oil	65.4%
utilities	9.2%
transport	8.5%
real estate	6.8%
other	10.1%

Inv.&Constr.

**USD 21.62 bn**

### United Kingdom

energy/nuclear	51.0%
technology/telecoms	12.7%
finance	8.8%
entertainment	6.6%
other	20.9%

Inv.&Constr.

**USD 17.38 bn**

### Singapore

real estate/property, consti	32.7%
transport/rail, autos	32.3%
utilities	6.8%
entertainment/technology	6.2%
other	22.0%

Inv.&constr.

**USD 17.23 bn**

### Australia

transport/autos, rail	26.0%
real estate	19.8%
energy/alternative	12.5%
metals	10.7%
logistics	7.1%
health	7.1%
agriculture	6.2%
other	10.6%

Inv.&constr.

**USD 15.74 bn**

### Brazil

energy/oil, electricity	78.5%
transport/autos, rail	17.8%
other	3.7%

Inv.&constr.

**USD 13.01 bn**

## Next top recipients, incl. BRI countries, 2019–H1/2023

### Germany

transport/autos	76,20%
health	11,50%
tourism	6,20%
other	6,10%
inv.&constr.	<b>USD 12.58 bn</b>

### Russia

energy/gas	46,20%
chemicals	37,50%
transport	8,00%
other	8,30%
inv.&constr.	<b>USD 12.02 bn</b>

### Iraq

energy/oil, gas	90,40%
other	9,60%
inv.&constr.	<b>USD 11.92 bn</b>

### United States

health	33,00%
transport	18,60%
technology	7,40%
energy	5,50%
other	35,50%
inv.&constr.	<b>USD 11.43 bn</b>

### France

entertainment	64,00%
transport	12,10%
logistics	7,80%
technology	6,10%
other	10,00%
inv.&constr.	<b>USD 11.22 bn</b>

### United Arab Emirates

energy/oil, electr., alt.	36,40%
real estate	26,50%
transport/rail, autos	22,80%
utilities	7,80%
other	6,50%
inv.&constr.	<b>USD 11.22 bn</b>

### Serbia

transport/rail, autos	53,20%
utilities	34,10%
metals	11,40%
other	1,30%
inv.&constr.	<b>USD 11.17 bn</b>

### Cambodia

transport/autos	59,20%
energy/coal	26,00%
tourism	5,30%
other	9,50%
inv.&constr.	<b>USD 10.65 bn</b>

### Chile

energy/electricity	64,00%
transport/rail	25,70%
health	9,40%
other	0,90%
inv.&constr.	<b>USD 10.32 bn</b>



## In the face of accumulated “troubled transactions” (1/5 of total) and risks...

- China has provided **generous refinancing/rescue** loans (around USD 200 billion)
- Overall Chinese overseas engagement has **slowed down**
- Average overseas projects have become **smaller**
- CGIT data may be increasingly underrepresenting Chinese project spending going forward

Meanwhile,

- Shares of **private** and **greenfield** investments, and **yuan-denominated financing** have been on the rise

## Emerging Western competition for BRI: sufficiently attractive?

Country	Program name	Time of launch	Amount envisaged (incl. private sector)	Amount spent
Japan	<i>Partnership for Quality Infrastructure</i>	May 2015	USD 200 bn	about USD 125 bn
United States/G7	<i>Build Back Better World (B3W)</i>	June 2021	?	-
	<i>Program for Growth in Infrastructure and Investment (PGII)</i>	June 2022	USD 600 bn (of which US: USD 200 bn)*	?
EU	<i>Global Gateway</i>	Dec. 2021	EUR 300 bn*	?

\* planned until 2027

## Outlook: Toward a rationalized and more focused Belt & Road?

- **Despite impressive expansion** (over USD 1 trillion of investment and construction deals in 2013–H1/2023)
- Some **serious setbacks** for BRI in recent years:
  - COVID-19 pandemic
  - BRI and developing country debt crisis
  - Impact of sharp interest rate hikes in advanced economies
  - Fallout of Russia’s war in Ukraine and of economic war between the West and Russia
- **Criticism and controversy:**
  - Corruption/opacity
  - Incompetence (in some cases)
  - Environmental damage
  - “Debt trap diplomacy”

## → Authorities have decided to rationalize overseas engagements

Four types of investment

– primarily of a **smaller**, more often **private**, or **greenfield** nature –  
can be expected or may continue:

- **Strategic engagements** (transportation infrastructure)
- **Energy resource-backed deals** (with neighbors, to boost energy security)
- **Digital projects**
- **Green transition projects**
  
- **Belt and Road Forum Oct. 2023: fresh funds** earmarked
  - to finance BRI projects: CNY 700 bn (ca. USD 96 bn)
  - for Silk Road Fund: CNY 80 bn (ca. USD 11 bn)

**Danke für Ihre Aufmerksamkeit**

**Thank you for your attention**

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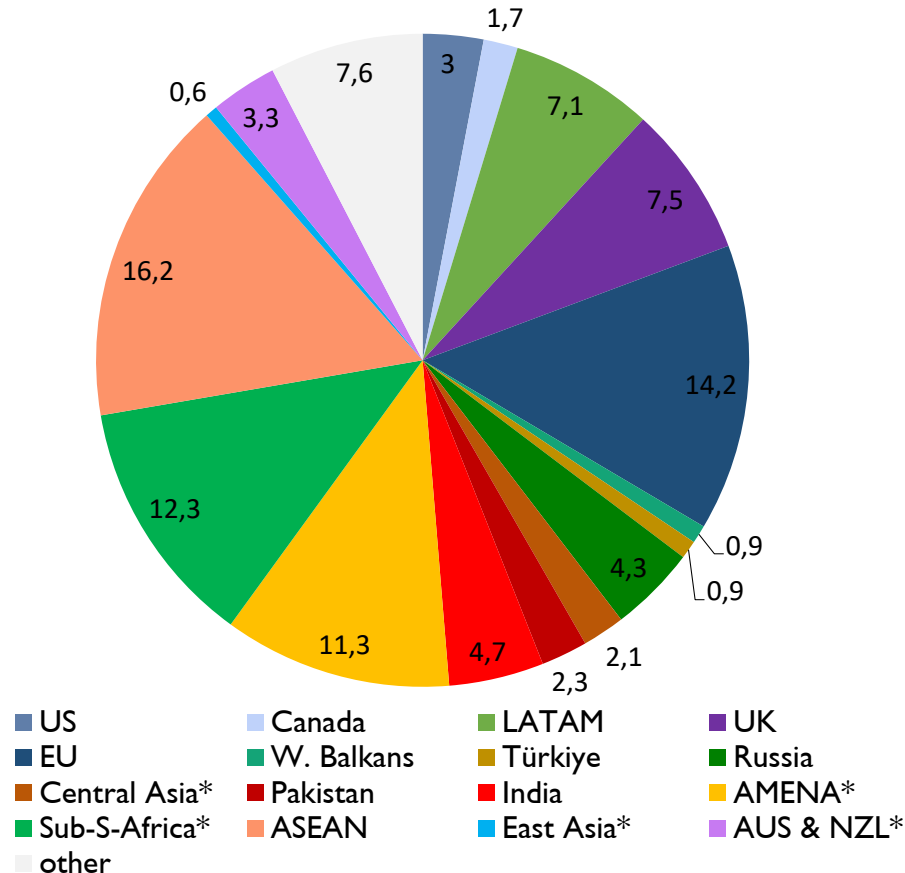
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**Regional breakdown of global Chinese investment and construction contracts 2019**

share (%)

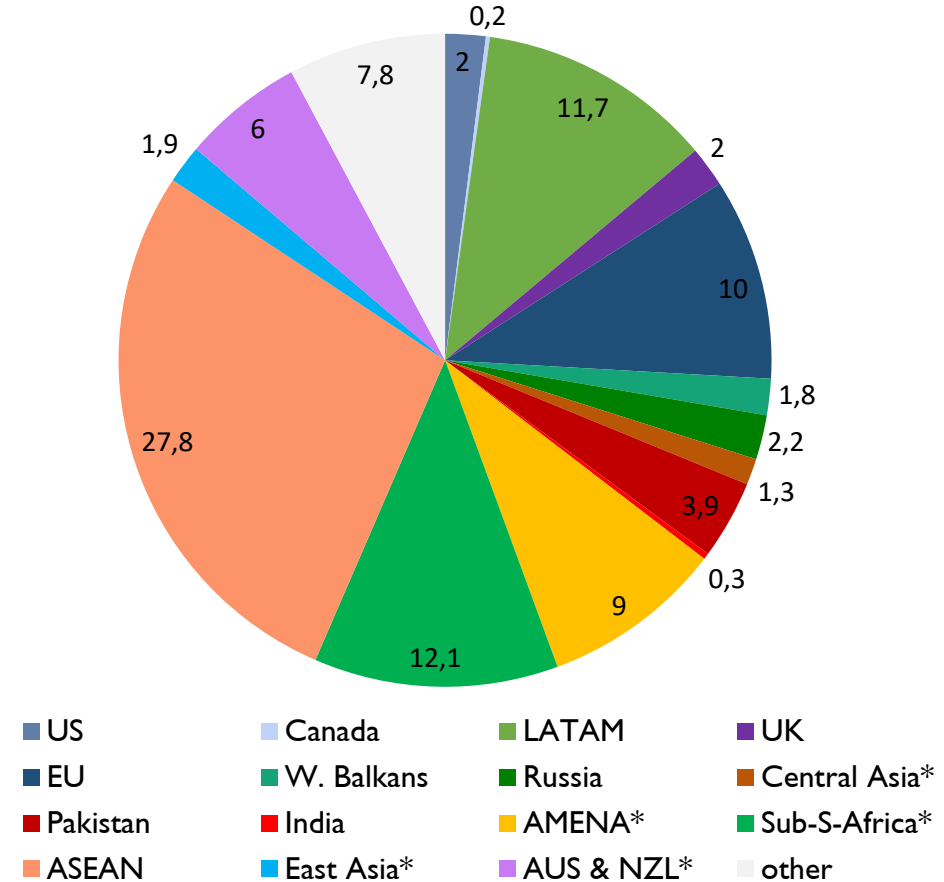


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**Regional breakdown of global Chinese investment and construction contracts 2020**

share (%)

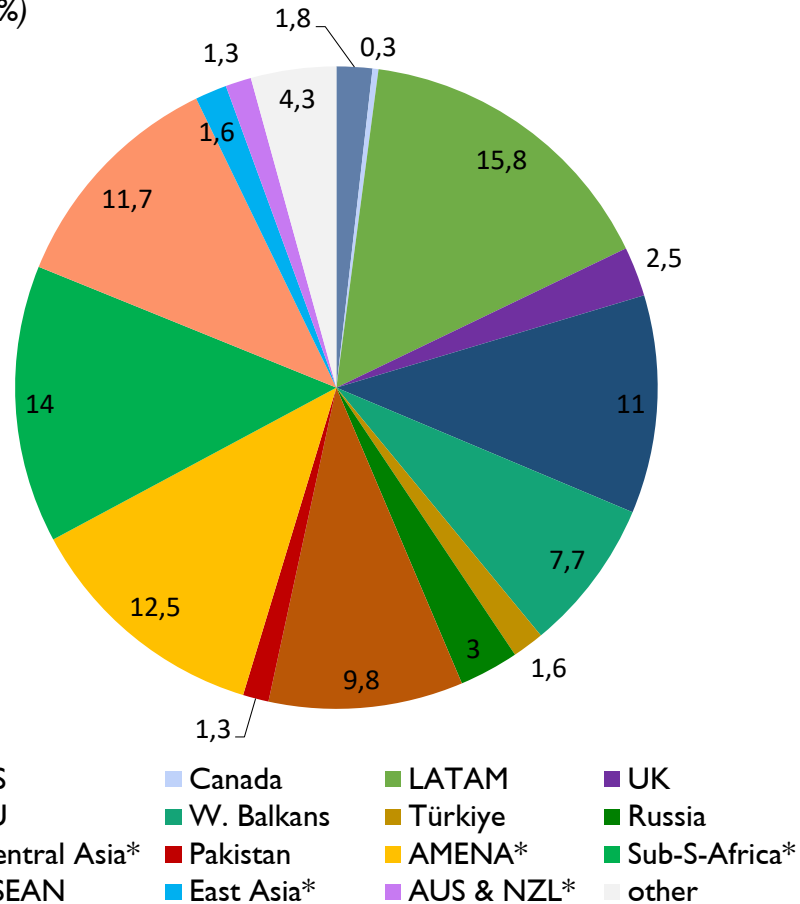


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**Regional breakdown of global Chinese investment and construction contracts 2021**

share (%)

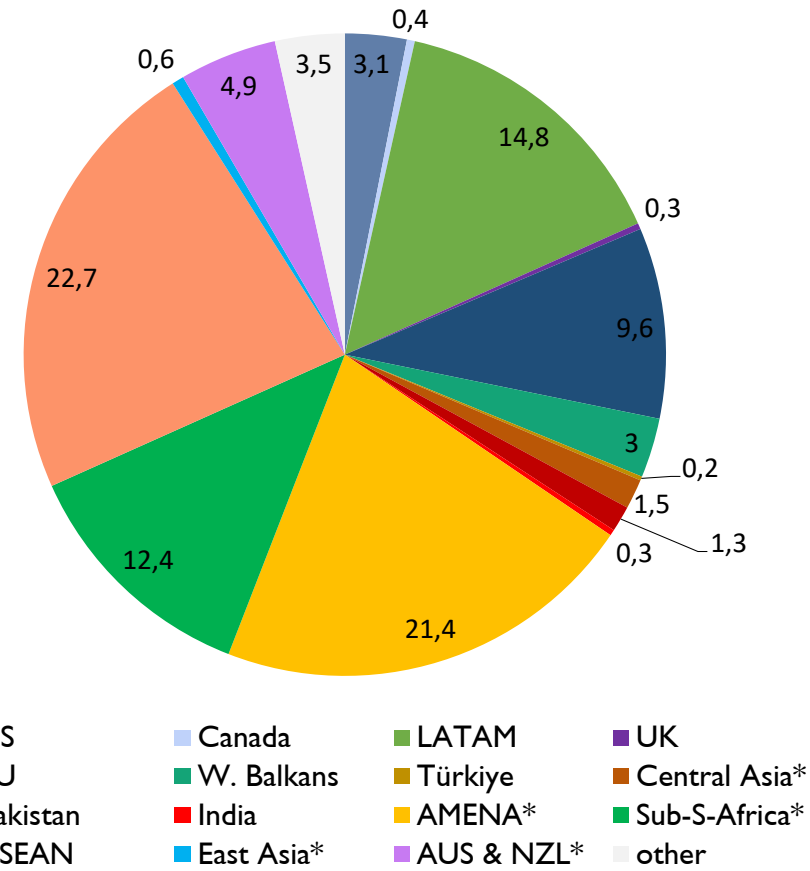


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**Regional breakdown of global Chinese investment and construction contracts 2022**

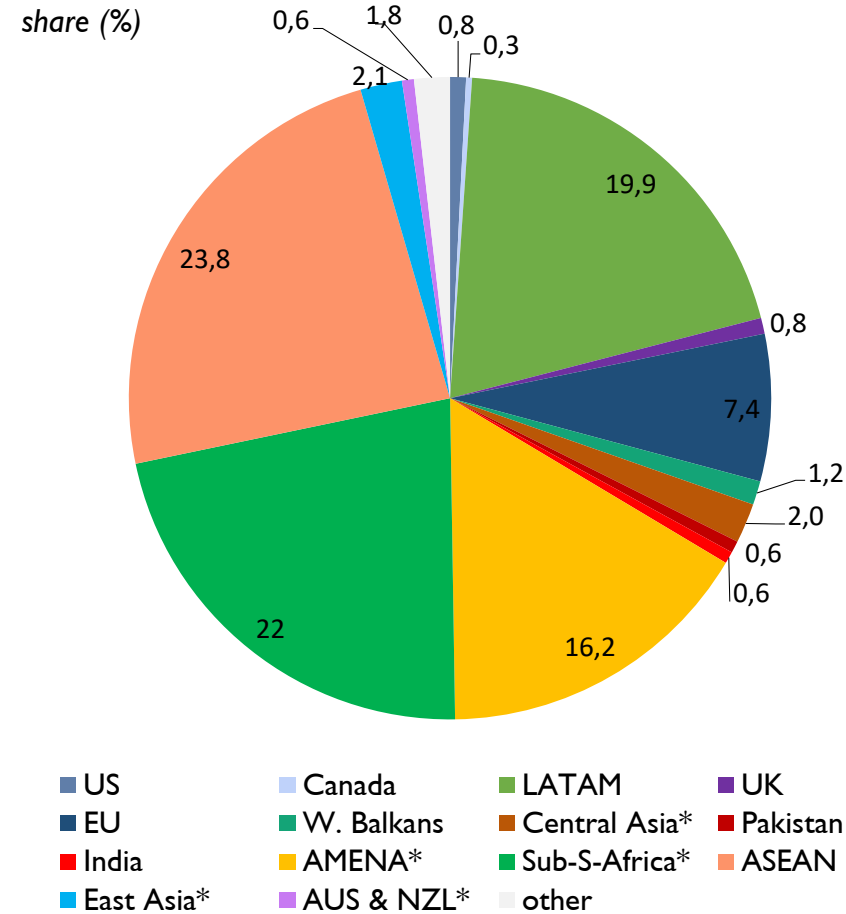
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**Regional breakdown of global Chinese investment and construction contracts H1/2023**



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