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Downsized, restructured and greener (2019-23): A new era for China's New Silk Road?

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Stephan Barisitz

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Downsized, restructured and greener (2019–23): A new era for China's New Silk Road?

Stephan Barisitz¹

This study focuses on the most recent development of Chinese overseas investment and construction and of the Belt and Road Initiative (BRI) in 2019–23, from a project-oriented perspective. As a source we use data of the China Global Investment Tracker (CGIT) of the American Enterprise Institute. Overall annual Chinese overseas commitments are found to have peaked in 2017 (at about USD 250 billion), then to have contracted sharply and to have stabilized from 2021 (at around USD 100 billion). A political blowback against Chinese investments in the West (from 2018), the COVID-19 pandemic (from 2020) and the Ukraine war (from 2022) appear to have affected Chinese project expenditure in Western countries more gravely than in Belt and Road partners. Energy, transportation and metals comprised more than two-thirds of commitments in 2019–23. The twelve largest recipients of Chinese investment and construction in these five years were: Indonesia, Saudi Arabia, Singapore, Australia, the UK, Brazil, the US, Iraq, the United Arab Emirates, Russia, Serbia and Malaysia. As of end-2023, almost one-fifth of total commitments (since 2005) had triggered losses and were thus classified as “troubled transactions.” In order to adjust exposure against the backdrop of debt problems, average Chinese overseas projects have become smaller in recent years. Moreover, the share of private Chinese investments has increased to 46%, and greenfield outlays have grown to 53% of total overseas commitments, thus eclipsing acquisitions (in 2023). Apart from the Japanese “Partnership for Quality Infrastructure” program launched in 2015, other most recently (2021–2022) established Western rival infrastructure initiatives to the BRI may still require some time to get off the ground.

JEL classification: F15, F34, N75, R12, R42

Keywords: New Silk Road, Belt and Road Initiative, connectivity, infrastructure, transportation, energy, debt trap, troubled transactions, Global South, BRICS+, digital, China, Southeast Asia, Africa, Latin America

The object of this study is to describe and analyze the most recent development of China's overseas investment and construction and its New Silk Road or Belt & Road Initiative (BRI), starting in 2019, the last “pre-crisis year,” so to say. 2019 is followed by the negative economic impacts of the COVID-19 crisis, the developing countries debt crisis, the Russian war in Ukraine, and the sharp interest rate hikes in advanced economies. 2019 is also chosen as a point of departure because this study constitutes an update of a previous study published in early 2020 (Barisitz, S. 2020. China's New Silk Road: a stocktaking update and economic review 2017–19. In: Focus on European Economic Integration Q1/20. OeNB). The goal is not primarily to focus on lending and debt, as there are already a number of studies dealing with this view of Chinese overseas engagements, but to take a project- or investment-oriented perspective.

Section 1 explains chosen data sources and distinguishes Chinese overseas commitments in the Belt & Road framework and beyond this framework. Section 2 gives an introductory overview of the development of Chinese investment and construction globally and in so-called Belt & Road countries in the last decade. Section 3 focuses in more detail on the evolution of the regional structure of Chinese commitments since 2019. This is followed by an even more detailed view

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(section 4) of respective flows to the 20 largest recipient countries, subdivided by economic branches and, in some cases, interacting firms. Some most recent structural changes as well as strategic adjustments of Chinese investors and authorities are discussed in section 5. Against this backdrop section 6 presents Western programs that have emerged in recent years to offer an alternative to the BRI to interested developing countries. Returning to the Belt & Road and Chinese overseas engagements more generally, section 7 attempts to give an outlook where things may be heading.

I Sources, definition of Chinese overseas commitments and of “Belt & Road countries”

As our source we use data of the China Global Investment Tracker (CGIT) of the American Enterprise Institute (a public policy think tank, Washington D.C.). These data are quite comprehensive and are also used e.g. by the Chinese Belt and Road Initiative Investment Report of the Fudan University in Shanghai. However, the data used here are not FDI data according to capital and financial account transactions. They are overseas investment and construction data corresponding to such transactions or contracts as announced by investing firms.² The CGIT moreover only counts transactions exceeding the value of USD 95 million per deal. This threshold can strongly affect results for smaller countries, and as far as there is a tendency to reduce the size of projects and therefore cut risks³, the CGIT data may somewhat underestimate most recent Chinese overseas projects.

In this study we prefer to look at China’s entire overseas investment and construction data and not only at data in the framework of the New Silk Road or more precisely, the Belt & Road Initiative (BRI), which was launched in 2013 by President Xi Jinping. The main reason is that we are interested in Chinese investment in general, as this is what counts economically and politically, not the label under which it comes. Moreover, it appears very difficult to distinguish so-called Belt & Road economic sectors from those that are not part of the Belt & Road Initiative. Of course one can argue that transportation and energy are core branches of the Belt & Road Initiative, but it is certainly difficult to separate e.g. technology and logistics investments from Chinese strategic endeavors. Moreover, it also seems quite challenging to draw a line and exclude countries from monitoring here only because they are not so-called “Belt & Road countries” or members of the initiative, i.e. they have not signed a formal BRI cooperation document with the Chinese authorities⁴, like Brazil (which cooperates closely with China in the framework of BRICS+ and in

² There are also other sources that can be used, notably outward investment data from the Chinese Ministry of Commerce (MOFCOM). These latter data partly differ substantially from CGIT data, notably during the years of the COVID-19 pandemic, when MOFCOM data show a striking expansion, while CGIT data register a clear contraction. For a more detailed discussion on CGIT versus MOFCOM data see Scissors, 2023b, pp. 2–5.

³ The average contract size for investments has reportedly shrunk from about USD 600 million in 2022 to around USD 400 million in the first half of 2023. Compared to the peak reached in 2018, the average investment deal size in January-June 2023 is only about half as large (Nedopil Wang, 2023b, p. 6).

⁴ As of early September 2023, i.e. on the 10th anniversary of President Xi’s speech in Astana, Kazakhstan, that arguably had inaugurated the Belt and Road Initiative, 154 countries (or about four-fifths of the UN’s 193 member states) had signed official BRI cooperation documents with the PRC, according to the “Belt and Road Portal” website run by the Chinese government (Tiezzi, 2023).

various fields, e.g. dedollarization policies), or Germany (which has intensive trade and investment relationships with China). However, when distinguishing whether a country is a “Belt & Road country” or not, this criterion (BRI cooperation document signed or not) is used; and if a country signed such a document, it is counted as a “BRI country” throughout the entire BRI program period, irrespective of when precisely the agreement was signed.

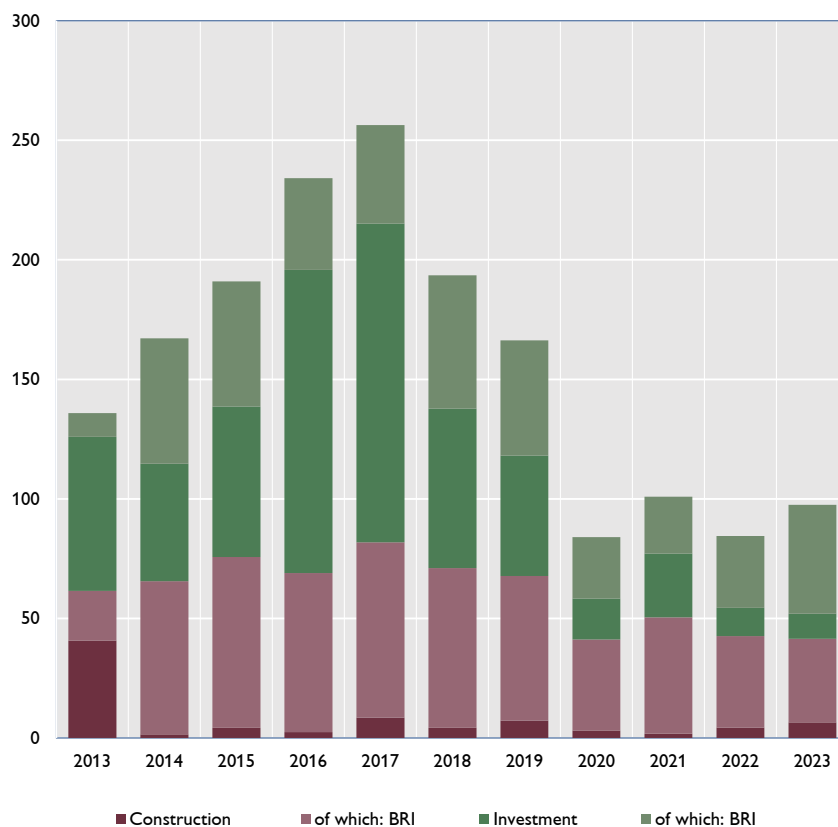
Generally, one can argue that the bulk of Western countries (whether in North America, Europe, East Asia or the Pacific) – with the exceptions of Greece, Portugal, a number of CESEE countries of which Poland is the largest, and South Korea – are not BRI countries.⁵ On the other hand, the majority of emerging markets are members of the Belt and Road Initiative, even if some large players are not (e.g. India, Mexico, Brazil).

2 Overview of Chinese investment and construction globally and on the Belt & Road: from exuberance to moderation (2013–23)

Chart 1

Value of 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

⁵ Italy reportedly left the Belt and Road Initiative in 2023.

Chart 1 gives an overview of the value of investment and construction contracts of Chinese firms globally, including for countries having signed BRI cooperation documents. We see that the overall annual value almost doubles from 2013 (USD 140 billion) to 2017 (almost USD 260 billion), before it substantially declines again in 2018–2019 (to about USD 170 billion) and is further halved in the COVID-19 year 2020 (to USD 84 billion), recovers a bit in 2021 (to above USD 100 billion), but then receives another blow in 2022 from Russia’s war in Ukraine (and is pushed back to the level of 2020). 2023 witnesses a modest bounce back again (to about USD 100 billion) – but nowhere near the heights reached in 2016 and 2017. For the whole period from 2013 to 2023, the volume of Chinese overseas investment and construction contracts came to about USD 1,717 billion. If we only look at Chinese investment and construction in “Belt & Road countries” – the parts of the columns in light colors – we see that their development has, by and large, been more positive than the overall numbers. In the whole period from 2013 to 2023, Chinese commitments in “BRI countries” reached USD 971 billion. While BRI countries accounted for about one-fifth of total Chinese overseas project expenditure back in 2013, their share rose above four-fifths in 2023.

This may, by and large, reflect a strong initial push for BRI commitments in emerging markets by the Chinese authorities in 2013 to 2015, which then relented a bit in 2016 and 2017, when investments in Western countries gained the upper hand again, although BRI investments remained substantial (above USD 100 billion p.a.). 2018 signaled the beginning of a political blowback from the West – Chinese investments in these countries were less and less welcome and plummeted by about 50% – at the same time the strength of BRI investments was upheld (remained above USD 100 billion).⁶ While dragging down overall Chinese investment and construction and contributing to a debt crisis, the COVID-19 slump appears to have affected Chinese project expenditure in the West – save a slight recovery in 2021 – more gravely than in Belt & Road partners. Russia’s war in Ukraine so far seems to confirm the downward trend of Chinese investment and construction in the West compared to a relative stabilization of these flows (at a level of around USD 70–80 billion p.a.) in BRI countries. While Chinese firms have an important commercial footprint in many BRI partners, most investment and construction expenditures are financed by credits from Chinese state-owned or commercial banks or by loans from contractors themselves. Therefore, Chinese ownership of overseas infrastructural or other assets (i.e. classic FDI) is actually not widespread, which should ease concerns that the PRC is seeking to “buy up” distressed partners, as Scissors notes (2023b, p. 6).⁷

As far as overseas investment and construction projects trigger losses for firms, they are included in “troubled transactions.” In 2019–2023, troubled transactions, as indicated by CGIT, accounted for USD 59.4 billion or 11.0% of total transactions. In the entire period of 2005 to 2023, all

⁶ Another reason for the weakening of outward commitments in these years was that the authorities in Beijing in 2017 had tightened their guidance of outbound FDI, banning “irrational” investments.

⁷ The “debt trap and asset seizure” scenario in the sense of China taking control of key assets in the case of default – as actually happened in the frequently cited case when Hambantota Port (a strategically situated harbor) in Sri Lanka was leased out to a Chinese state firm in 2017 for 99 years in exchange for debt reduction – has turned out to be a quite infrequent occurrence (Kratz et al., 2019, pp. 1–2; *The Economist* 2023b, p. 47). Incidentally, in November 2023 the Sri Lankan authorities gave their green light to another large Chinese investment project: China Petroleum & Chemical Corporation’s (Sinopec’s) proposal to build an oil refinery at Hambantota Port (IntelTrak Belt and Road Monitor, 2023b).

troubled transactions came to almost USD 437 billion or 18.4% of total transactions (Scissors, 2024, p. 8). China's most recent generous dishing out of refinancing loans ("rescue loans") to the tune of more than USD 200 billion to distressed borrowers appears to be inconsistent with the debt trap and asset seizure argument. Typical Silk Road sectors show below-average levels of troubled transactions: this goes for energy and power (17%), transport (15%), logistics (12%). The health sector shows only a very low share of loss-bearing projects (3%), which may however reflect the fact that many projects in this sector were only launched quite recently – following the onslaught of the COVID-19 crisis. Interestingly, the metals sector is over-proportionately loss-prone (33%), topped by the technology (34%) and the finance sectors (49%).

There are also many cases of slower than originally expected progress and/or higher than originally budgeted costs of realizing projects. To name three examples:

- *Budapest-Belgrade high-speed rail link* (Serbia/Hungary). Construction work on what was considered the BRI flagship project in CESEE was started in 2015. Numerous delays included the impact of the failure to comply with EU competition and procurement rules in 2017. Failure to meet EU technological standards in 2023 triggered a renewed (temporary) suspension of work on the project (Matura, 2024).⁸ Notwithstanding the setback, Greece recently officially joined the project, which is now called *Budapest-Belgrade-Skopje-Athens high-speed rail link* (Casarini, 2024).
- *Bar-Boljare motorway* (Montenegro). This project, launched in 2016, runs through mountainous terrain and is to link up beyond the border with a Serbian motorway (also under construction) to Belgrade. The building of the first of altogether four sections of the Bar-Boljare highway, from Podgorica to Smokovac (northeast of the capital), was financed by a loan of the China EximBank, which sharply drove up the small country's government debt. Hedging deals with US and EU banks helped Montenegro reduce the interest rate burden on the loan. The first section was opened for traffic in July 2022. The authorities are currently preparing tenders for the second and third sections of the motorway which also promise to be relatively costly (EmergingMarketWatch, 2024).
- *China-Kyrgyzstan-Uzbekistan railroad*. While a memorandum to conduct a feasibility study for this project to link up China via a southern normal gauge railroad with Central Asia and a fortiori Europe had already been signed in 2012, the study was reportedly only completed in May 2023. In early March 2024, the three countries reached a deal to set up a joint venture to build and run the railroad; participants have also signaled confidence that construction work will still begin in 2024. Yet financial issues appear to be not yet finally decided (BBC, 2024).

While losses and delays no doubt require attention, the New Silk Road's coming of age also implies that a number of (relatively large) projects have already been finished.⁹ To name twelve of them:

⁸ This, however, does not relate to the Serbian section of the track. The first phase of the project, connecting Belgrade and Novi Sad, was inaugurated in March 2022. The next section, from Novi Sad to Subotica on the Hungarian border, is slated to open in spring 2025 (bne Intellinews, 2024).

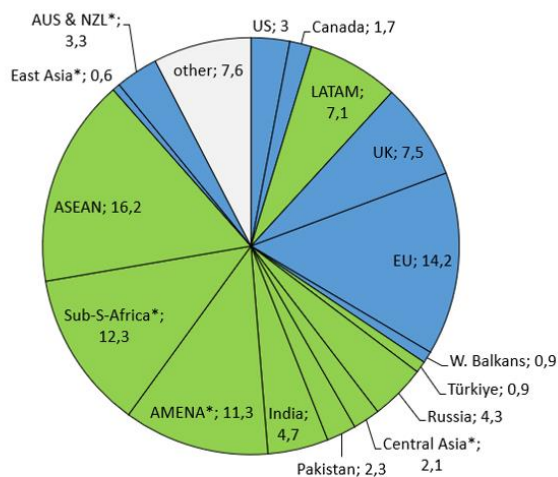
⁹ For more information on most of these projects, see Barisitz (2020).

- *Addis-Ababa-Djibouti railroad* (Ethiopia/Djibouti, finished 2016, total cost/China's financial support: USD 4.0/ USD 3.2 billion),
- *Tashkent-Ferghana direct rail link* (Uzbekistan, 2016, USD 1.9 billion/USD 0.5 billion),
- *Gwadar deep sea harbor and airport* (Pakistan, 2017, USD 1.9 billion/USD 1.6 billion),
- *Mombasa-Nairobi express railroad* (Kenya, 2017, USD 3.2 billion/USD 2.9 billion),
- *Port of Piraeus modernization* (Greece, 2018, USD 810 million/USD 540 million),
- *Khorgos Gateway Special Economic Zone* (Kazakhstan/ China, 2019, USD 6.5 billion/ USD 3.2 billion),
- *Power of Siberia gas pipeline* (Russia/ China, 2019, USD 17.5 billion/USD 2 billion),
- *Khalifa port* (Abu Dhabi, UAE, 2019, USD 830 million),
- *Kunming-Vientiane high-speed rail link* (China/Laos, 2021, USD 4.0 billion),
- *Yamal LNG project* (Russia, 2021, USD 27 billion/USD 12 billion),
- *Jakarta-Bandung bullet train* (Indonesia, 2023, USD 5.5 billion/USD 4.1 billion),
- *Arctic LNG II project* (Russia, 2023, USD 25billion/USD 4 billion).¹⁰

3 Chinese overseas commitments sharply declining in the West, partly recovering in the “Global South”

Chart 2a

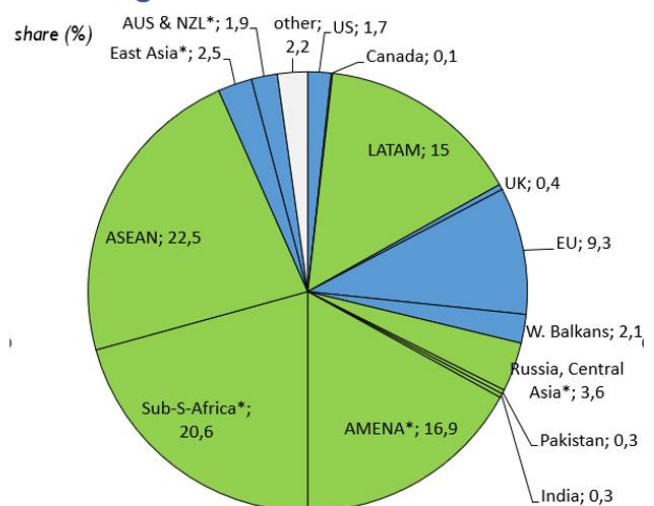
Global regions of Chinese inv. & constr. 2019
share (%)



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.

Chart 2b

Global regions of Chinese inv. & constr. 2023
share (%)



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

¹⁰ Notwithstanding Western sanctions, the first of three trains of this new large LNG facility entered operation and was officially opened by President Putin in July 2023, the second and third trains are expected online in 2024 and 2026, respectively (Russland Aktuell, 2023; Elliot, 2023). However, in November 2023 the United States announced fresh sanctions against Arctic LNG II which aim to ban other countries, notably European countries, from buying the project's gas when it starts delivering (Tani et al., 2023; Steiner, 2023). Nonetheless production reportedly started in December 2023 and supply contracts have been signed with two Chinese corporations. First deliveries are envisaged for spring 2024 (Tani and Stognei, 2024).

Charts 2a and 2b show the evolution of the regional subdivision of Chinese overseas investment and construction between 2019 and 2023. These pie charts illustrate more precisely the decline of the share of Western countries in total Chinese project expenditure in recent years – as alluded to above. Western countries are here defined as the United States, Canada, the United Kingdom, the EU, the Western Balkans, East Asia (i.e. Japan, South Korea and Taiwan/Republic of China), Australia and New Zealand. Their share in total Chinese project expenditure decreased from 31% in 2019 to 22% in 2022 and 18% in 2023. The EU's share correspondingly shrank from 14%, to 10% and then 9%. The share of the Western Balkans usually fluctuates between 1% and 3%, although in 2021 it almost reached 8% – on account of some strategic transport and utilities investments launched in Serbia that year.

Chinese investors strongly expanded their presence in relative terms in a few large emerging market regions. In absolute terms, their commitments first declined, then recovered again.¹¹ This is notably the case in four regions: ASEAN (or China's neighboring region of Southeast Asia – both of which are members of the world's largest free trade area, the Regional Comprehensive Economic Partnership/RCEP), the Arab Middle East and Northern Africa (i.a. boasting with Saudi Arabia and the UAE some of the largest oil producers and richest countries of the world), Sub-Saharan Africa (where China is the undisputed leader in infrastructure investment), and Latin America (where Chinese firms have most swiftly expanded their commitments recently). The combined share of these four strategic regions of the "Global South" in total overseas Chinese investment and construction rose from less than half in 2019 to about three quarters in 2022 and 2023.¹² Regional diversification of investment may re-assure Beijing that its supply lines are not easily choked (Scissors, 2023b, p. 8).

That said, some of the traditionally preferred Chinese investment destinations or, in any case, large emerging markets, witnessed less investment inflows from China recently. This goes for highly indebted *Pakistan*, one of Beijing's key geo-economic allies, linked to China by the so-called China-Pakistan Economic Corridor (CPEC), a framework for generous infrastructural cooperation over the years. It also goes for *Russia*, Beijing's strategic partner notwithstanding the war against Ukraine; however given stepped-up Western sanctions against Moscow following its invasion of Ukraine, China in 2022 is reported to have discontinued or sharply curtailed infrastructural project expenditures in its northern neighbor. *India* is also worth mentioning in this context, if for different reasons: after an initial period of hesitancy, the authorities in New Delhi – against the backdrop of intermittent military tensions between the two Asian giants in

¹¹ According to Yifan Xie and Douglas (2023), Chinese investment is retreating from the West as hostility to Chinese capital has grown there. Chinese companies are instead spending money on factories in Southeast Asia, and on mining and energy projects in South Asia, the Middle East, Africa and Latin America.

¹² Chinese investment and construction in the "Global South" instead of in the "West" is not out of tune with some of the aims of the recent expansion of the BRICS club of large emerging economies. At the BRICS summit in Johannesburg in August 2023 it was decided that the group, consisting of Brazil, Russia, India, China and South Africa, will invite Argentina, Egypt, Ethiopia, Saudi Arabia, the UAE and Iran (all of the latter are "BRI countries") to join BRICS at the beginning of 2024, from when the organization will be called BRICS+. However, following the election of Javier Milei as president of Argentina in December 2023, that country opted out of membership. The other five countries acceded. Old and new members regard BRICS+ as an alternative to global bodies viewed as dominated by Western powers and expect membership to unlock benefits including development finance, increased trade and investment projects (Acharya, 2023).

2020 – adopted a more restrictive stance toward Chinese investment and construction in the early 2020s.¹³

4 Sectoral composition of China's investment and construction in its most important partner countries

Table 1 provides an overall look at recent Chinese overseas commitments from a sectoral perspective. Energy, transportation and metals comprise more than two thirds of these commitments in the period 2019 to 2023. It may appear surprising at first sight that the share of technology investments is smaller than that of investments in real estate and entertainment, but this probably reflects increased screening of Chinese technology acquisitions in Western countries in recent years.

Table 1

Chinese global overseas investment and construction 2019-2023 broken down by sector (total: USD 540.8 bn)

| Sector | Amount (USD bn) | Share of total (%) |
|------------------------------|-----------------|--------------------|
| Energy | 173.4 | 32.1 |
| Transportation | 137.8 | 25.4 |
| Metals (steel, aluminum etc) | 58.1 | 10.7 |
| Real estate | 39.9 | 7.4 |
| Entertainment | 17.7 | 3.3 |
| Technology | 17.3 | 3.2 |
| Health | 13.7 | 2.5 |
| Utilities | 13.2 | 2.4 |
| Chemicals | 13.1 | 2.4 |
| Agriculture | 9.5 | 1.8 |
| Logistics | 8.5 | 1.6 |
| Finance | 7.7 | 1.4 |
| Tourism | 3.6 | 0.7 |
| Other | 27.3 | 5.0 |

Source: China Global Investment Tracker (CGIT)

The Annex table provides *country-by-country snapshots* of the 20 largest recipients of Chinese investment and construction globally from 2019 to 2023, structured by economic branches, and ranked in descending order of country size of commitments.

In the following, some selective pieces of information accompanying these tables are given: In Indonesia, the no. 1 destination, Chinese investment in metal extraction plays a primary role, e.g. nickel for the manufacturing of electric vehicle batteries, and the production of aluminum. Moreover, the building of the high-speed railroad linking the metropolises of Jakarta and Bandung was finished in September 2023.¹⁴ In Saudi Arabia and the United Arab Emirates, not surprisingly,

¹³ That said, Chinese-Indian goods trade recovered again strongly in 2021 and 2022, which once again made China (including Hong Kong) India's no. 1 trading partner (according to IMF data).

¹⁴ More generally, most of China's rail engagement in 2022 and 2023 could be found in East and Southeast Asia, including the continuation of the high-speed rail projects connecting China through Laos, Thailand and Malaysia to Singapore (the planned Kunming-Singapore main line). What appears to be the first section of that, the 422 km

oil and gas investments prevail, Chinese firms also cooperate with the Saudi Electricity Company and have carried out sizable real estate transactions in the UAE. In Singapore, apart from transport and real estate investments, the acquisition of BIGO Technology (AI, machine learning) appears worth mentioning. In Australia, besides transport, real estate and energy investments, the purchase of 46% of the British-Australian metal mining corporation Rio Tinto stands out. Key transactions in the United Kingdom include the purchase of 34% of the atomic power station Hinkley Point by China General Nuclear Power Corporation for USD 8.9 billion and the acquisition of 24% of the technology company Global Switch (telecoms). Energy investments prevail in Brazil: China National Offshore Oil Corporation (CNOOC) acquired 5% of Búzios deep water oil field (off Rio de Janeiro), and 5% of Petrobras corporation; and the Chinese acquisition of the large electricity provider Enel Brasil is noteworthy.

Purchases of stakes in Grifols (45%) and other pharmaceutical companies were the largest commitments in the United States, followed by investments in the transportation sector. In Iraq oil and gas investments (CNPC) overwhelmingly predominate. In Russia, the China National Petroleum Corporation/CNPC and CNOOC dominate with investments in gas and LNG production, moreover, commitments in chemicals and petrochemicals play an important role. Key investments in Serbia are railroad and motorway construction (e.g. part of the Belgrade-Budapest high-speed rail line, part of the Belgrade-Bar (Southern Adriatic) motorway), the building of the Belgrade metro (by China's Power Construction Corporation together with French firms Alstom and Egis), and copper extraction by Zijin Mining Corporation. Commitments in Malaysia include the construction of the East Coast Railway Line (ECRL) connecting western ports with the less developed east coast of the Malay peninsula, a large project whose costs were recently cut on the initiative of the Malaysian authorities, and where the involvement of Malaysian firms was increased (The Economist, 2024a). Nigeria mostly features development of parts of its railroad network by the China Railway Construction Company (CRCC).

The key recent BRI transaction in France was Tencent acquiring Vivendi (media corporation) for USD 6.6 billion, followed by smaller deals in the entertainment and transportation sector. Chile features the acquisition of (part of) its electricity grid by China State Grid as well as railroad construction by CRCC. Cambodia i.a. features the construction of a major expressway (largely by China Communication Construction Company/CCCC) linking its capital Phnom Penh to its port of Sihanoukville. In Germany, Chinese firms acquired 5% of the automobile producer Daimler, and 35% of the pharmaceutical firm Heidelberg Pharma. In Pakistan, the construction of hydropower plants by China Energy Engineering Corporation overwhelmingly stands out. In Peru, electricity grid investments are substantial (e.g. China Southern Power Grid purchased (part of) Enel Peru); moreover, what is to become South America's major Pacific port (60% owned by China Ocean Shipping Company), and equipped with a direct link to Asia, is being built at Chancay, north of Lima, and is slated to be operational by end-2024 (Chaparro, 2023; CE Noticias Financieras, 2024).

The above country-by-country snapshots clearly show that the traditional specialization of Chinese investors on acquisition of technology in advanced economies versus procurement of raw

long railroad running through mountainous terrain from Kunming (province of Yunnan) to Vientiane (the capital of Laos) had begun operating in December 2021.

materials and infrastructure construction in emerging markets is still valid, even if access to Western markets has become more difficult due to deteriorating political relations and increased screening of Chinese investors. That said, in some areas, like semiconductors, artificial intelligence (AI), robotics and digital currencies, China has in recent years managed to reduce its dependence on Western technologies (Liu, 2023; Diplomatie, 2023, p. 33; The Economist, 2024b).

5 More “small and beautiful,” private and greenfield investments

Over time, in order to adjust exposure against the backdrop of accumulated troubled transactions, risks, and debt problems, average Chinese overseas investment and construction projects have become smaller¹⁵, which implies that CGIT data – given their methodology of disregarding projects below the threshold of USD 95 million – may be increasingly underrepresenting Chinese project expenditure going forward; this goes particularly for relatively small economies. The most recent weakness of overall project expenditure in the years 2020 to 2023, as shown in chart 1, is therefore probably somewhat exaggerated.¹⁶

While links and dependencies between Western countries and China are apparently on the wane, the structure of Chinese overseas investment may be becoming more attractive for host countries in that the share of private investment or of investment by privately controlled firms has increased substantially in recent years, even if it was still below 50% most recently. While, according to CGIT data, the share of private investment in total Chinese overseas capital formation was 26% in 2013, it increased to 36% in 2019, to 43% in 2022¹⁷ and 45.8% in 2023.¹⁸ Receding Chinese acquisitions and takeovers in Western countries may contribute to explaining the increasing share of greenfield outlays in total overseas investments, which grew from 24% in 2013 to 43% in 2019, fell back somewhat to 40% in 2022 before resurging to 53.3% in 2023. As Scissors points out, greenfield spending brings at least some new host country jobs and does not constitute a direct attempt to acquire foreign technology, which may alleviate suspicion (2024, p. 9).

¹⁵ This is confirmed by the Chinese authorities’ heightened emphasis on the “rationalization” of overseas investment, and the prioritization of more targeted “small and beautiful” projects (Economist Intelligence-EIU 2023, p. 15; Ray 2023, p. 2; The Economist 2023 b, p. 48).

¹⁶ In a study published in January 2023, Scissors concludes that CGIT figures for the years 2020–2022 have likely been too low (Scissors, 2023a, p. 3).

¹⁷ According to Nedopil Wang, also referring to CGIT data, BRI investment contracts in 2022 and in the first half of 2023 were unusually dominated by private sector enterprises (including Zhejiang Huayao Cobalt, Contemporary Amperex Technology Co. Limited (CATL, the world’s largest battery producer), Alibaba, Nine Dragons Paper Holdings), while construction contracts continued to be dominated by SOEs (Nedopil Wang, 2023a, pp. 3, 18; and 2023b, p. 3). The latter appears understandable insofar as infrastructure is often regarded as a public or semi-public good not necessarily open to a logic of short or medium-term profit maximization.

¹⁸ One might also argue that SOEs have acted as initial risk takers or “pioneers” in BRI undertakings, now to be followed by increasing participation of private companies. Or there may be less suspicion in partner countries toward private Chinese companies, which may make them more attractive.

6 Emerging Western competition for BRI: sufficiently attractive?

In contrast to Chinese contractors, non-Chinese contractors have been able to secure some large rail deals in Africa recently, such as the USD 8.7 billion high-speed rail system contract in Egypt won by Siemens in May 2022 – incidentally the largest order in Siemens history (The Economist, 2022; Nedopil Wang, 2023a, p. 16). This latter huge investment of a Western global corporation interestingly does not appear to be part of any major non-Chinese infrastructure investment initiative – which brings us to Western official efforts to rival the New Silk Road.

Table 2

Western global infrastructure support programs aimed at competing with the BRI

| 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* (EUR 66 bn committed) | ? |

* planned until 2027

Source: Author's compilation.

As table 2 indicates, recently the launching of programs aiming to compete with China's infrastructure and connectivity initiative has gained momentum. *Japan* had already proclaimed its own initiative in May 2015, i.e. only about 1½ years after China's announcement. "*Partnership for Quality Infrastructure*" is the name of Japan's program, which has reportedly provided for up to USD 200 billion, of which about USD 125 billion may have already been spent (by public and private sectors). Most Japanese projects are in the emerging markets of East, South and Southeast Asia. Three typical projects are the erection of Indonesia's first rapid transit service – Jakarta's North-South subway line, the operation of Sihanoukville port, including its digitalized container terminal (in Cambodia), the modernization of Ulaanbaatar International Airport (Mongolia).

In mid-June 2021, US president Joe Biden announced the "*Build Back Better World*" (or *B3W*) program in the framework of the G7, which aimed to support projects with limited public money and to catalyze private sector funding for four key areas in developing countries: climate, health, digital technology and gender equity. The explicit aim was also to provide an alternative to China's BRI, an alternative based on Western values, high labor and environmental standards, good governance and transparency. In February 2022, Chinese foreign minister Wang Yi said that China was willing to work with the United States on a G7-led infrastructure plan and welcomed Washington to join its Belt & Road Initiative (Asia Financial, 2022).

In June 2022, the B3W was re-branded "*Program for Growth in Infrastructure and Investment*" (*PGII*). The G7 members aim to mobilize up to USD 600 billion (with the US planning to pledge

USD 200 billion) until 2027 (The International News, 2023). In the summer of 2023, the US decided to support the development of the Trans-African Lobito Corridor linking Angola (and its Atlantic port of Lobito), the Democratic Republic of Congo (DRC) and Zambia with an early investment in greenfield rail expansion and solar development. In September 2023, the EU reportedly joined the US in this endeavor, and both Western parties, together with representatives of the three just mentioned African countries as well as the African Development Bank, signed an MoU to support the Lobito Corridor at the Global Gateway¹⁹ Forum in Brussels in late October 2023. As a next step, road maps with concrete joint action plans are to be elaborated.²⁰ Apart from the fact that the financial dimension is not yet clear, this project is still at a very early stage as are other PGII projects (The International News, 2023; Inside EU Issue Monitor Posts, 2023).

Also embedded in the G7 endeavor to close the global infrastructure gap, the EU Commission in December 2021 launched the *European Union's Global Gateway* program that is to promote intelligent and sustainable investments in high-level infrastructure in developing countries (Gwyn-Jones, 2023). These investments are to correspond to European values and thus to fulfill most elevated social and environmental standards. Between 2021 and 2027 European organs (i.a. the EIB) and member states seek to mobilize up to EUR 300 billion (mostly from the EU private sector) for the above purpose. The goal is to boost investment in partner countries in the following areas: digital modernization (e.g. fiber optic cables), clean energy transition, green, smart and safe transport, health, and high-quality education focusing particularly on girls and women. This is to be accompanied by measures to upgrade the (local) policy, regulatory and business environment, develop skills, foster motivation and transfer technology.

While there are important plans, e.g. to install underwater cable connections for data transmission between the EU and Latin America on the one hand and the EU and Africa on the other, concrete progress has so far been limited. This as well as the modest results of the above PGII program so far, are certainly due to the short time span that has evolved since the launching of these initiatives in 2021. At any rate, about 70 Global Gateway projects have been officially initiated in 2023 and EUR 66 billion have been formally committed (Euronews, 2024; Moens, 2024). The former include some clearly defined projects like the construction of the Rogun Dam, a hydropower plant in Tajikistan, or the upgrade of a large-scale solar power plant and photovoltaic mini-grids in Benin (West Africa), or the decarbonization of the Panama Canal and protection of its water resources (Panama), but there are also some more general-sounding endeavors, like the implementation of the Team Europe Initiative in Nepal on Green recovery, or Gender Transformative Action in Tanzania through delivery of a holistic gender support package including digital and green components (Global Gateway flagship projects-Infographics 2023).

What does not always seem clear is who the participating EU and emerging market partner enterprises are and from which institution(s) or actors the project financing actually comes. In

¹⁹ On what the Global Gateway is, see immediately below.

²⁰ Yet Chinese companies have already announced USD 360 million of investments to improve road and land port infrastructure between the DRC and Angola's Lobito port (IntelTrak – Belt and Road Monitor, 2023a). Obviously, how the US, the EU and China will coordinate their respective infrastructure and resource development activities and cooperate and consult with their local partner countries along this corridor leading to coveted raw material deposits for green transition (i.a. cobalt and copper mines) will be interesting to observe.

some instances, official pieces of information on initiated projects look more like declarations of intent. That said, the West's strong focus since 2022 on addressing by multiple means the geopolitical conflict in eastern Europe, while fully justified morally, cannot but contribute to tensions with other purposes of expenditures regarded as important.

The *India-Middle East-Europe Economic corridor initiative* (IMEC), proclaimed at the end of the G20 Meeting in New Delhi in September 2023, signed by the United States, India, Saudi Arabia, the UAE, the EU, Italy, France and Germany, and also to include Israel and Jordan, gives room for hope that a new direct multimode transport corridor (including shipping and railroad routes, pipelines for clean hydrogen and high capacity data cables) could be erected to dynamize East-West trade via the Arab peninsula, Jordan and Israel. While financial aspects of this initiative²¹ do not appear to be final yet, more importantly, the new brutal war in the Near East following Hamas' bloody attack against Israel in early October 2023 does not augur well for this envisaged Arab-Israeli infrastructural link. Respective talks have been suspended.

Another endeavor that may be more promising is the initiative on EU-Central Asia Connectivity, whose goal is to establish or modernize an alternative transportation corridor between Europe and Asia to that running through Russia, namely a corridor through Southern Caucasus and across the Caspian Sea. Notwithstanding various practical difficulties such an alternative corridor would be confronted with (deserts, seas, rugged terrain, and multiple borders to cross, pushing up transportation and logistical costs), the EIB in February 2024 signed MoUs with the governments of Kazakhstan, Kyrgyzstan and Uzbekistan comprising loans of EUR 1.5 billion guaranteed by the EU Commission. According to the latter, a total of EUR 10 billion is expected to be mobilized to support and invest in sustainable connectivity in Central Asia (Railway Pro, 2024).

Overall, while it is still somewhat early and we have to wait for a track record of projects to emerge in the coming years, Western rival initiatives to the Chinese Belt & Road so far do not appear to muster comparable financial firepower. What is more, as far as public infrastructure is to be built, firms need to be prepared to cope with financial losses (Scissors, 2024, p.6). Finally, while high standards and values are certainly laudable, it remains to be seen to what degree Western institutions (not speaking of enterprises) will also display the pragmatism, patience and perseverance that are necessary to get complex projects done in challenging environments.

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

Chinese overseas investment and construction and the Belt & Road Initiative have expanded over the last decade, but they have also suffered setbacks in recent years, related to the COVID-19 pandemic, the developing countries debt crisis, the impact of the sharp interest rate hikes in advanced economies, and the fallout of Russia's war in Ukraine and of the economic war between the West and Russia. The overall pace of development has slowed down, notably on account of substantial declines of new commitments in Western countries, while the Belt & Road (primarily oriented toward emerging markets) has held up better. According to data of the China Global Investment Tracker (CGIT), the BRI has, since its inception (2013), resulted in nearly

²¹ Costs of about USD 20 billion are cited in media reports (Seibert, 2023).

USD 1 trillion of investment and construction deals, while overall global Chinese commitments have come to over USD 1.7 trillion in this period. A number of strategic projects of developing countries were realized in the framework of the BRI, projects that would have traditionally found it difficult to attract sufficient international funding (The Economist, 2023a, p. 75; Lambert, 2024, p. 9).

Not only has the investment and construction drive slowed down in recent crisis-prone years, but criticisms and controversies have emerged over issues like lack of transparency, corruption, poor risk management, incompetence or environmental damage. Perhaps the most persistent if largely misguided complaint related by the media has been that Beijing has been conducting “debt trap diplomacy” to saddle partner countries with bad debt stemming from failed BRI projects as an instrument to gain political benefits and boost its local influence.

Probably as a result of these setbacks and some of this criticism, the authorities have most recently decided to “rationalize” overseas engagements and prioritize more targeted undertakings of more modest size. With this in mind, four types of Chinese overseas projects – largely related to emerging markets and less to advanced economies – are likely to continue or further develop: strategic engagements (such as in connectivity-boosting transport infrastructure – like high-speed railroads and pipelines), energy resource-backed deals (such as oil and gas extraction, particularly in neighboring countries, to boost national energy security), digital projects (like data centers and e-commerce), and green transition-related projects (such as lithium and copper mining, output of batteries for e-cars, renewable energy projects).²² During the latest Belt and Road Forum (BRF) in mid-October 2023, Beijing announced a fresh sum of CNY 700 billion (or about USD 96 billion) to finance BRI projects, and an additional CNY 80 billion (or USD 11 billion) for equity acquisitions by the Silk Road Fund. Moreover, a secretariat is to be set up to institutionalize the BRF (Lye, 2023).

Looking at green transition, China either already holds on its territory significant shares of key resources like natural graphite, manganese and rare earths, or it has in recent years established strong overseas control of material processing activity (e.g. above 50% of global capacity of lithium, nickel, cobalt and graphite processing) (Nedopil Wang, 2024, p. 13). Although devoid of any direct link with the New Silk Road, in the course of the last ten years since its official launch in 2013, China has reportedly achieved control of more than half of the global output of low-carbon emission technology products (photovoltaic cells, solar panels, wind turbine systems, e-car batteries, electric vehicles) whose production capacity it is now largely building up with its RCEP neighbors in Southeast Asia (Pedroletti, 2023, 17; White, 2023). From a Western viewpoint, this development, which is apparently the fruit of long-term aggressive industrial policy strategies, cannot but give rise to concern and may induce Western policymakers to urgently become more active themselves in this field to better cope with such challenges.

²² As regards digital projects, according to a recent MERICS report, Chinese companies are increasingly present in the digitalization of emerging markets, as Western alternatives are – notwithstanding recently launched rival programs – either still absent or too costly. That was the case with 4G and 5G mobile networks, where Huawei reportedly built 70% of Africa’s 4G network and signed 5G agreements with Kenya, South Africa and Uganda by end-2022 (Gunter, Adachi, Ghiretti and Sebastian, 2023, p. 3).

Summing up, the Belt & Road Initiative has recently had to cope with serious problems – swelling debt, environmental damages, etc. – and seems to have gone through a quantitative “downsizing” exercise. At the same time, the BRI has been structurally evolving – now featuring more private firms, more greenfield investments, more digital and renewable energy projects. Against this backdrop, the above-mentioned progress achieved in strengthening Chinese green supply chains could provide a more modest, restructured BRI with a good point of departure for intensifying global infrastructure competition. This implies that Western global infrastructure programs would need to shape up quickly if they are to successfully compete with the New Silk Road and cooperate with partners in emerging markets.

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Annex table

Major recipients of Chinese global investment and construction, incl. "Belt and Road countries" (2019-2023)

1. Indonesia

| | |
|-----------------------|---------------------|
| metals/steel | 40.7% |
| transport/autos, rail | 24.6% |
| energy | 14.1% |
| finance | 9.3% |
| other | 11.3% |
| inv. & constr. | USD 31.96 bn |

2. Saudi Arabia

| | |
|------------------------------|---------------------|
| energy/gas, oil, alternative | 66.3% |
| utilities | 8.9% |
| transport | 8.2% |
| real estate | 6.6% |
| other | 10.0% |
| inv. & constr. | USD 24.43 bn |

3. Singapore

| | |
|-----------------------------|---------------------|
| transport/rail, autos | 32.8% |
| real estate/property, cons. | 28.6% |
| entertain./techno./telecoms | 6.5% |
| utilities | 5.7% |
| other | 26.4% |
| inv. & constr. | USD 20.50 br |

4. Australia

| | |
|-----------------------|---------------------|
| transport/autos, rail | 29.5% |
| real estate | 18.0% |
| energy/alternative | 11.4% |
| metals | 9.7% |
| health | 9.6% |
| logistics | 6.5% |
| agriculture | 5.6% |
| other | 9.7% |
| inv. & constr. | USD 17.81 bn |

5. United Kingdom

| | |
|---------------------|---------------------|
| energy/nuclear | 51.0% |
| technology/telecoms | 12.7% |
| finance | 8.8% |
| entertainment | 6.6% |
| other | 20.9% |
| inv. & constr. | USD 17.57 bn |

6. Brazil

| | |
|-----------------------|---------------------|
| energy/oil, nuclear | 77.9% |
| transport/autos, rail | 19.0% |
| other | 3.1% |
| inv. & constr. | USD 15.60 br |

7. United States

| | |
|----------------|---------------------|
| health | 34.0% |
| transport | 15.4% |
| real estate | 8.2% |
| technology | 5.8% |
| energy | 5.6% |
| other | 31.0% |
| inv. & constr. | USD 14.72 bn |

8. Iraq

| | |
|----------------|---------------------|
| energy/oil | 89.0% |
| other | 11.0% |
| inv. & constr. | USD 12.85 bn |

9. United Arab Emirates

| | |
|-------------------------|---------------------|
| energy/oil, electricity | 37.2% |
| real estate | 23.5% |
| transport/rail, autos | 20.2% |
| utilities | 13.3% |
| other | 5.8% |
| inv. & constr. | USD 12.83 br |

10. Russia

| | |
|----------------|---------------------|
| energy/gas | 44.0% |
| chemicals | 40.5% |
| transport | 7.6% |
| other | 7.9% |
| inv. & constr. | USD 12.63 bn |

11. Serbia

| | |
|-----------------------|---------------------|
| transport/rail, autos | 55.5% |
| utilities | 30.3% |
| metals | 10.1% |
| other | 4.1% |
| inv. & constr. | USD 12.58 bn |

12. Malaysia

| | |
|----------------------|---------------------|
| transport/rail, auto | 43.4% |
| energy | 15.8% |
| technology | 9.4% |
| logistics | 6.7% |
| real estate | 6.1% |
| metals | 5.3% |
| other | 13.3% |
| inv. & constr. | USD 11.80 br |

13. Nigeria

| | |
|----------------|---------------------|
| transport/rail | 57.3% |
| real estate | 28.7% |
| energy | 13.1% |
| other | 0.9% |
| inv. & constr. | USD 11.37 bn |

14. France

| | |
|----------------|---------------------|
| entertainment | 63.2% |
| transport | 13.2% |
| logistics | 7.7% |
| technology | 6.0% |
| other | 9.9% |
| inv. & constr. | USD 11.36 bn |

15. Chile

| | |
|--------------------|---------------------|
| energy/electricity | 62.6% |
| transport/rail | 27.3% |
| health | 9.2% |
| other | 0.9% |
| inv. & constr. | USD 11.06 br |

16. Cambodia

| | |
|-----------------|---------------------|
| transport/autos | 57.4% |
| energy/coal | 25.2% |
| tourism | 5.1% |
| other | 12.2% |
| inv. & constr. | USD 10.98 bn |

17. Germany

| | |
|-----------------|---------------------|
| transport/autos | 70.5% |
| health | 15.0% |
| tourism | 7.3% |
| other | 7.2% |
| inv. & constr. | USD 10.64 bn |

18. Pakistan

| | |
|--------------------|--------------------|
| energy/electricity | 88.1% |
| utilities | 6.5% |
| other | 5.4% |
| inv. & constr. | USD 9.93 bn |

19. Bangladesh

| | |
|-----------------|--------------------|
| transport/autos | 34.8% |
| energy/coal | 29.7% |
| real estate | 23.9% |
| other | 11.6% |
| inv. & constr. | USD 9.87 bn |

20. Vietnam

| | |
|--------------------------|--------------------|
| energy/coal, alternative | 62.1% |
| transportation/autos | 8.1% |
| logistics | 7.8% |
| technology | 7.1% |
| metals | 5.0% |
| other | 9.0% |
| inv. & constr. | USD 9.82 bn |

21. Peru

| | |
|--------------------|--------------------|
| energy/electricity | 76.8% |
| transport/shipping | 17.8% |
| other | 5.4% |
| inv. & constr. | USD 9.21 bn |

Source: China Global Investment Tracker