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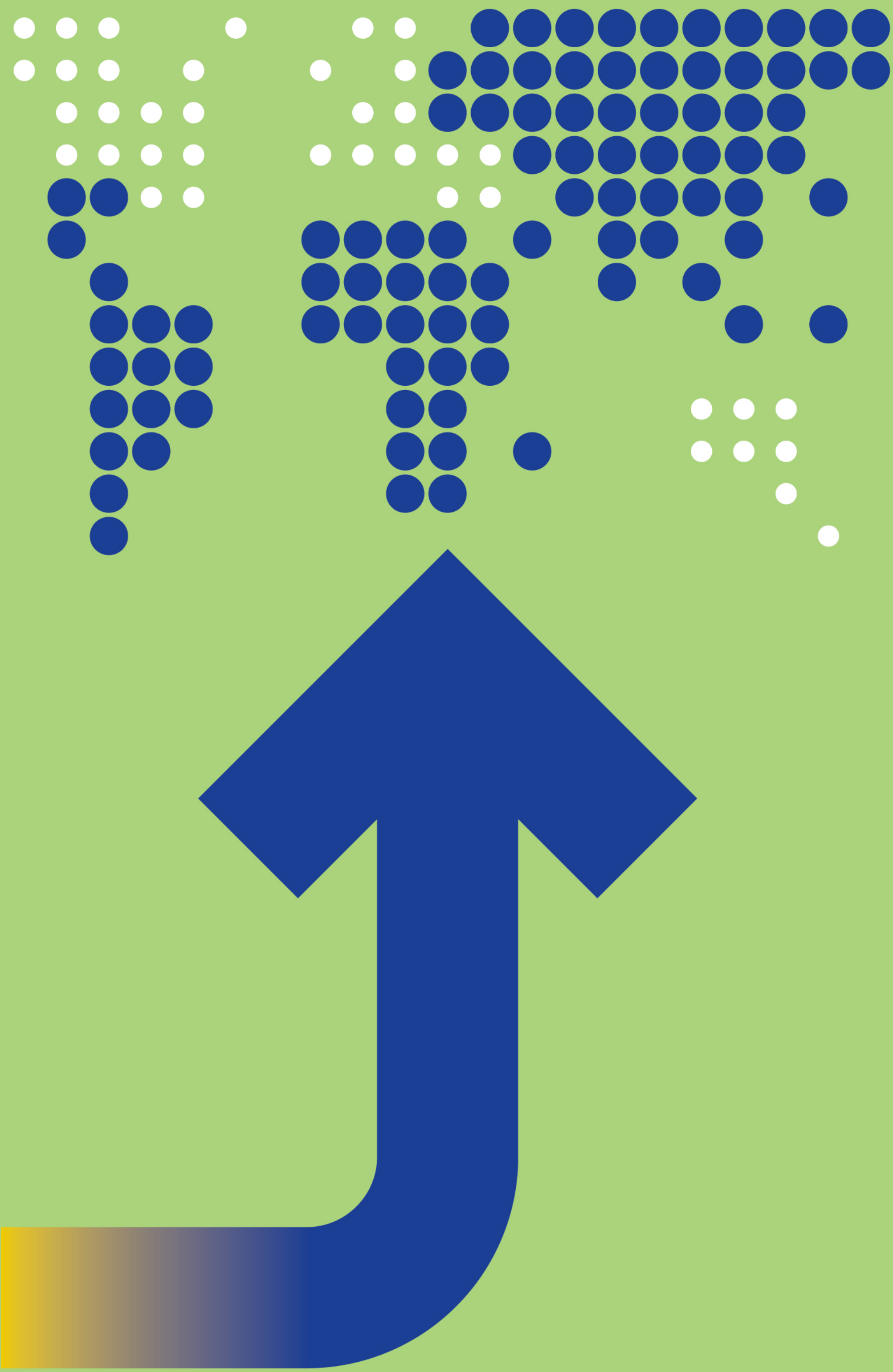

An Economic Perspective on the BRI: Five Years after its Launch

Harinder S. Kohli and Leo Zucker

Background Paper

Emerging Markets Forum
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I. Introduction

The vast majority of external commentaries on the BRI to date have focused on its geopolitical aspects. There have been few dispassionate analyses of its economics. This paper attempts to fill this gap; it focuses on the economic and social issues that may affect the BRI countries. The paper does not touch upon geopolitics, which lies outside the expertise of the Emerging Markets Forum (EMF).

The paper is based on an ongoing EMF study being carried out by a team of 14 economists and development experts based in 11 different countries. As part of this study, EMF has conducted an extensive literature survey of what has been written on the BRI in different parts of the world[1] and commissioned papers seeking perspectives from selected BRI countries. It has also cross-checked and analyzed various publicly available independent databases on BRI projects. Its data collection efforts have been supported been by four economists at the Emerging Markets Institute, an EMF affiliate at the Beijing Normal University, though the findings presented in this report are those of the authors alone. Finally, the EMF team has interviewed people knowledgeable about the BRI. An earlier version of this paper was discussed at the Global Meeting of the Emerging Markets Forum in Tokyo in October 2018. This version takes into account comments made there.

II. What is the BRI?

The concept of the BRI, also referred to as the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road (MSR), was proposed by Chinese President Xi Jinping to develop a wide network of connectivity and cooperation spanning the entire Eurasian landmass and parts of Africa, including Central Asia, Southeast Asia, South Asia, the Middle East, Europe, and North and East Africa.

Originally unveiled in May 2013 at Nazarbayev University in Astana, and thereafter in Jakarta on October 3, 2013[2], as "One Belt, One Road," the initiative is now officially referred to as the Belt and Road Initiative or the BRI. It is strongly associated with President Xi's personal leadership. At the last People's Congress meeting, the initiative was incorporated in China's constitution. As this paper documents below, by now the geographic reach of the BRI has expanded well beyond the original concept as announced in 2013.

Under the original terminology of the Belt and Road Initiative, the "Belt" referred to surface connectivity (through the Silk Road Economic Belt) and the "Road" to maritime routes (through the Maritime Silk Road). The Silk Road Economic Belt in turn consisted of six economic corridors: one in Southeast Asia, two in South Asia, two in Central Asia and Europe, and one in North Asia. These six corridors, along with the Maritime Silk Road, comprised BRI's seven original corridors[3].

More recently, a "Polar Road" and a "Cyber Route" have been announced. In the meantime, the official list of BRI countries has grown from 65[4] in 2013 to 126 as of December 15, 2018 through the addition of 61 more countries in Africa, Latin America and Europe (by now over half of EU member states have signed MOUs on BRI cooperation with Beijing), as described later in this paper. Thus, by now BRI's reach has extended far beyond the ancient silk routes, making it an almost global initiative.

The magnitude of investments anticipated under the BRI is staggering. According to some Chinese sources, hundreds of billions of dollars worth of investments have already been made under the BRI umbrella. Some foreign press reports have estimated total Chinese investment of

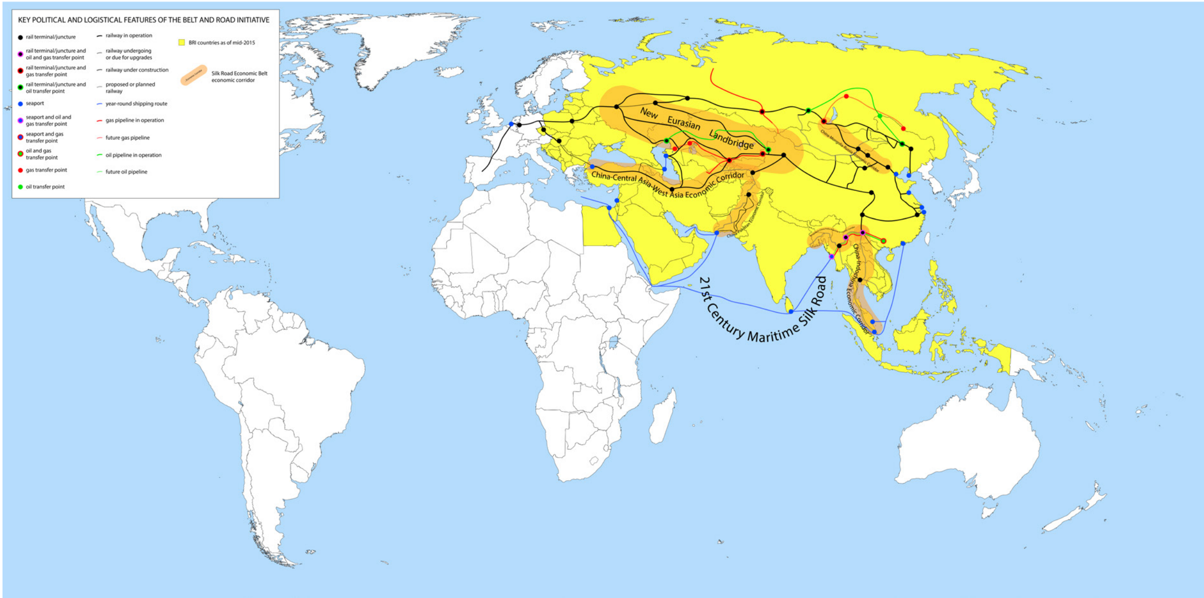
1. See the Annotated Bibliography of Sources Relevant to Researching the Belt and Road Initiative by Leo Zucker, Emerging Markets Forum, January 2019.

2. http://www.chinadaily.com.cn/china/2017-04/15/content_28940829_2.htm

3. National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China (2015), "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road."

4. China's official list of BRI countries continues to include India despite India's strong protects against the initiative on political and economic grounds. The analysis in this paper includes India as part of BRI.

Figure 1: The Seven BRI Corridors at the Initiative's Launch in 2013



Source: Emerging Markets Forum

as much as $3-4 trillion over the course of the initiative through 2049 (indeed, some reports have cited numbers as high as $8 trillion, but the authors have been unable to trace back such speculative foreign media stories to any reliable Chinese reports).

While the lower end the numbers appear more reasonable, they also must be treated as only order of magnitude numbers, because no official list of current or future BRI projects has been released, as discussed later in this paper. Nor has the Chinese government announced an ultimate target size for BRI investments.

Chinese authorities are actively encouraging parallel financing of the BRI and related activities by other parties. For example, in September 2017, the Chinese Prime Minister hosted a meeting of the heads of six international institutions—including the IMF, World Bank, and OECD—to urge their financial and technical support for the BRI. Almost all nternational financial institutions (IFIs) responded positively. These developments suggest that the BRI could ultimately evolve beyond being a Chinese-financed initiative and involve partnerships with not only international financial institutions but also the private sector worldwide.

Official Chinese descriptions of the BRI mention five thematic areas of focus[5]:

- **Policy coordination:** Planning and supporting large-scale infrastructural development;
- **Facilities connectivity:** Building facilities to enable connectivity along the Belt and Road;
- **Trade and investment:** Facilitating cross-border investments and supply chain cooperation;
- **Financial integration:** Enhancing financial policy coordination and bilateral financial cooperation;
- **Cultural exchange:** Promoting people-to-people bonds and cooperation.

Currently, the five thematic areas are largely conceptual. As noted above, there appears to be no official blueprint, concrete list of projects, or precise timetable so far.

A leading group under the National Development and Reform Commission (NDRC) reportedly ensures inter-ministerial policy coherence on BRI matters; however, no formal and distinct organizational structure associated with the various projects or investments is known to exist as yet.

Despite this, some institutions associated with the Chinese government have suggested that over two thousand BRI projects are currently underway. However, it has not been possible to obtain a list of these projects.

Perhaps due to the BRI's still fluid (or flexible) nature, the Chinese government now terms this possibly historic undertaking with global implications as an "initiative" (for a while it was called a strategy, but it is no longer the case). Another explanation of this nomenclature could be that China does not want to appear too assertive or deterministic toward its potential partners (recipient countries).

5. National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China (2015), "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road."

III. Potential Contributions to the Global Community, and Challenges

As mentioned above, the Belt and Road Initiative encompassed as many as 126 countries, as of December 15, 2018. *Taken together, these countries account for roughly 38.5 percent of global GDP, more than 46 percent of the global merchandise trade, and more than three quarters of the world's population*[6]. With emerging markets (particularly in Asia) growing much faster than the advanced economies, the weight of BRI countries in the world economy is likely to rise steadily in the coming decades.

The development community already sees the BRI as one of the most transformative development programs launched by any single country or group of countries since the creation of the Bretton Woods Institutions after the Second World War. Some observers have noted that if the BRI is indeed implemented at the scale currently anticipated, its size could turn out to be at least 7 times that of the Marshall Plan in real terms[7].

The scale and geographic reach of the BRI are all the more impressive considering that it has been conceived and is being financed, at least so far, mainly by a country that is still classified as a developing economy.

Within five years of its announcement, the BRI has emerged as by far the largest and most ambitious example of "south-south cooperation" in history. The speed at which the BRI has picked up momentum has also drawn the keen attention of the traditional development agencies, and of political observers worldwide.

Given the above, the fundamental questions that arise are: *what gaps in the global development and economic landscape is the BRI expected to fill? And, what is the value added of such a massive Chinese initiative to the global community?*

Simply put, *the basic idea behind the BRI is both visionary and potentially transformational.*

It proposes to invest a massive amount of financial resources (both debt and equity) and technical knowhow simultaneously in *about two thirds of the nations of the world*. Moreover, it intends to do so on a larger scale and at a faster pace than the traditional development assistance agencies are willing and able to sustain. Indeed, under the BRI banner (and in some cases even before the initiative's rollout), China has already built some impressive infrastructure projects in challenging circumstances in record time (e.g. the Ethiopia-Djibouti railway, Panama Canal expansion, Nairobi-Mombasa standard gauge railway, and large hydroelectric dams in Ecuador).

Through the BRI, China is exhibiting an extraordinary degree of risk appetite for and confidence in the future development prospects and financial viability of BRI countries, a large number of which are currently not considered creditworthy by the international financial markets. The country exposures being assumed by the Chinese (policy and commercial) banks and many of the projects they support sometimes extend well beyond those that the legacy multilateral development banks (led by the World Bank) are willing to finance on commercial terms.

But, this bold Chinese initiative will ultimately be judged successful only if the vast majority of BRI countries themselves feel that there is sustainable value added to their own economies <u>*and*</u> if China successfully recoups its investments with an acceptable rate of return.

To the extent that the bulk (about 80 percent) of the Chinese investments appear to be in loans, the recovery of Chinese investments will be highly dependent on the intrinsic viability of the underlying projects and on the creditworthiness of the countries themselves. This fundamental fact cannot and must not be ignored either by the BRI countries or by the Chinese lenders, or most importantly by the Chinese authorities.

Obviously, the above criteria for success are economic, given the focus of this paper as stated in the introduction. At the same time the authors of this paper fully recognize that within China there may also be additional factors (geopolitical, security, military) that also enter the calculus. Also, for the Chinese, the cost of capital may be different (lower) than for a typical western investor. An interesting question is how these different dimensions complement each other—or, possibly stand in conflict—in individual instances (countries or projects). These considerations are beyond the scope of this paper.

Potential Contributions to the Global Community

A well-conceived and implemented BRI can make a significant contribution to the global community by:

- Providing significant amount of external capital to a large number of developing countries on a scale they are unable to obtain otherwise, thus helping them overcome a key constraint to their development. This should in turn facilitate improvements in their overall investment rates and lift economic growth.[8]

6. EMF estimates.
7. Jonathan Hillman (2018), "China's Belt and Road Is Full Of Holes," CSIS.
8. François de Soyres (2018), "The Growth and Welfare Effects of the Belt and Road Initiative on East Asia Pacific Countries," World Bank.

- Focusing BRI investments on three areas that are widely considered crucial to the long-term development of most developing countries: infrastructure, agriculture and industry. In all these areas China has a successful track record. It can offer its knowhow and technology to complement its investments. In many cases, it could also offer technical and managerial solutions that are more cost-effective and suitable to developing economies.
- Creating regional and transcontinental transport corridors and other infrastructure networks. These transport networks in turn could help dramatically reduce the cost of surface transportation and thus facilitate trade and investment flows between and amongst economies associated with the BRI.[9] A recent World Bank study though has estimated that as much as half of the reductions in transport costs through such regional corridors would arise from improvements in soft infrastructure (behind the border) improvements (to complement physical construction projects).[10]
- Laying the foundations of a new multi-route, multi-modal transportation and logistics network between East Asia and the rest of the World to serve the needs of the new global economy whose center of gravity is gradually shifting back to Asia.
- Reducing risks to trade flows between East Asia and the rest of world because of potential temporary blockage (due to terrorism, piracy or conflicts) of the Strait of Malacca, the Strait of Hormuz or the Gulf of Aden by creating alternate transport routes to bypass these maritime choke points (this will also provide risk insurance to China itself given its heavy dependence on world trade). This risk insurance premium appears quite high for the Chinese authorities but perhaps is not yet fully appreciated by outside observers.
- Helping raise global investment rates and thus, on the margin, facilitating an increase in global productivity and global economic growth given the massive size of the BRI.[11]
- Recycling a part of China's large financial and production capacity surpluses while helping the vast majority of developing countries.

This bold Chinese program thus clearly has significant upside potential to create valuable global public goods while simultaneously helping two thirds of countries in the world.

Challenges

China and its BRI partners at the same time face many daunting challenges in realizing its bold vision. These challenges also explain why BRI countries have historically not been able to obtain similar levels of capital from traditional sources of development finance, or from the private sector, to those they are receiving from China.

The major challenges facing the BRI (similar to those faced by the legacy development assistance agencies in their efforts during the past fifty odd years) include the following:

- A very large number of BRI countries are currently not considered creditworthy by the financial markets.
- Countries have limited fiscal headroom to take on significant additional debt burdens without assured additional revenue flows (Laos, Myanmar, Sri Lanka, Pakistan, Ethiopia, Maldives, Kenya and most of the other BRI countries in sub-Sahara Africa).
- BRI countries' governance environments are often poor due to weak domestic institutions, historic extraction of benefits by elites, lack of transparency, etc. These factors could lead to a political backlash against the BRI after regime changes (as amply demonstrated by the recent developments in Sri Lanka, Malaysia, Maldives and Sierra Leone).
- Unlike China, most BRI countries have weak domestic institutional capacity to develop, implement and operate complex projects, particularly large infrastructure projects and/or projects crossing multiple national borders.
- The BRI's large investments could impose a significant fiscal and institutional burden of operation and maintenance (O&M) on recipient countries, which often already have difficulties in effectively operating and maintaining their preexisting infrastructure assets.
- The ability of many BRI countries to assess demand for and evaluate risks associated with large investment projects is limited or nonexistent (Sri Lanka, Eritrea-Ethiopia).
- The domestic policy and institutional environments in some countries are such that international private investors and multilateral development

9. François de Soyres et al. (2018), "How Much Will the Belt and Road Initiative Reduce Trade Costs?" World Bank.
10. Bert Hoffman, World Bank Country Director for China, Mongolia and Korea at the China Forum in Astana, December 2018.
11. François de Soyres (2018), "The Growth and Welfare Effects of the Belt and Road Initiative on East Asia Pacific Countries," World Bank.

partners have tended to operate cautiously. Without significant improvements on this front, progress on the BRI's thematic areas like trade, investment and financial integration will be difficult; also, the financial (commercial) sustainability of many greenfield infrastructure projects (road and high speed railways, new airports) will remain dubious. In such circumstances, the policy coordination theme of the BRI would be of utmost importance.

- The physical design and construction of large infrastructure and energy projects (including the management of their environmental and social impact) in developing countries is complex by itself. But as the experience of other development institutions shows an even a bigger challenge lies in the soft infrastructure aspects (logistics, behind-the-border barriers to trade, institutions). These soft infrastructure obstacles must be overcome to reap the full benefits of physical investments.
- Some of the most ambitious BRI projects cut across many national boundaries (especially in the Central Asia and South Caucasus region, but also in South East Asia, and in Africa with land-locked or many small economies). Coordinating their design, implementation and operations with multiple national authorities used to working independently will be a big challenge (as exemplified by the experience under CAREC and GMS).
- Finally, winning the hearts and minds of the local population and authorities and assuring that BRI projects would indeed lead to win-win outcomes for all concerned will be crucial for the long-term sustainability of individual projects and for the global impact of the BRI as a whole (see EMF's parallel "inside-out" review of the BRI's impact on the Central Asia and South Caucasus region)[12].

IV. Three Common Misconceptions about the BRI

Before moving forward with taking stock of where the BRI stands today, how this initiative may best contribute to the development of BRI countries and its likely future direction, it is useful to note three common misconceptions about the BRI within the international community:

- *The BRI is basically about connecting China with Europe through the ancient "Silk Routes" across Central Asia.* Perhaps because it is commonly known by its informal name, the New Silk Road, many outside observers think of the BRI mainly as an initiative to connect the Eurasian continent through land routes traversing Central Asia. But, the reality is that *only two of the original seven corridors pass through Central Asia and the South Caucasus and only eight of 126 BRI countries belong to this sub-region!* Also, the bulk of the BRI investments to date have occurred outside this sub-region (mainly in Southeast and South Asia), as discussed below. As the BRI's footprint has recently expanded dramatically into many more countries in Africa Latin America and even heart of Europe, its reach already has gone well far beyond the ancient silk routes and has transformed it into a truly transcontinental, if not a global initiative.
- *The BRI consists primarily of infrastructure construction.* Perhaps because infrastructure bottlenecks (i.e. power shortages and a lack of paved roads and modern port and rail facilities to facilitate international trade) are the most obvious constraints to development in most countries and also require large capital investments, China's support for infrastructure projects under the BRI have become the most visible component of the initiative. The result is that very often the BRI is conflated with infrastructure, to the exclusion of its other (three) themes. While infrastructure is the bedrock of development, and China has a particular comparative advantage in assisting developing countries in finding cost-effective ways to develop it, the other components of the BRI may have larger payoffs for most participating countries over the long term. Also, as the relative emphasis on infrastructure projects comes down, the initiative may not require such significant amounts of official Chinese finance over the longer term.
- *Being a Chinese initiative, the BRI must be based on a long-term strategy and detailed master plan.* Most observers outside China believe that like all flagship Chinese economic programs, the BRI must have a well-conceived long-term strategic plan that in turn has been converted into a detailed medium-term implementation plan, and even a detailed roadmap of the BRI, such as a list of projects under each of its themes and associated costs. The reality is very different. There is in fact no master plan or official long-term strategy that is publicly available at least yet, Certainly, there

12. Johannes Linn and Leo Zucker, Emerging Markets Forum, January 2019.

is no list officially approved future pipeline of BRI projects (and their costs and financing) by country. The lack of such information and of a longer-term official blue print of the BRI thereof is leading to many misunderstandings. This problem is further compounded by the lack of basic data even on the BRI projects already underway.

V. Status Five Years after its Launch

There are at least three metrics to assess the BRI's status since its launch some five years ago: the number of countries that have officially signed up to join this initiative by signing a formal MOU; Chinese financial investments in Chinese sponsored projects in the BRI countries; and the economic and social impact of these investments on the countries. For a variety of reasons (lack of data, lengthy time horizons for the long-gestating projects to deliver impacts, etc.), it is not possible to assess the third aspect. Given these constraints, the Emerging Markets Forum decided instead to carry out an "inside-out" review of the BRI from the perspective of eight countries in the Central Asia and South Caucasus region. The findings of that review are presented in a separate detailed report that should be read in parallel with this paper. Therefore, the discussion below focuses on the first two metrics.

An Expanding Footprint of BRI Members: Approaching Almost a Global Reach

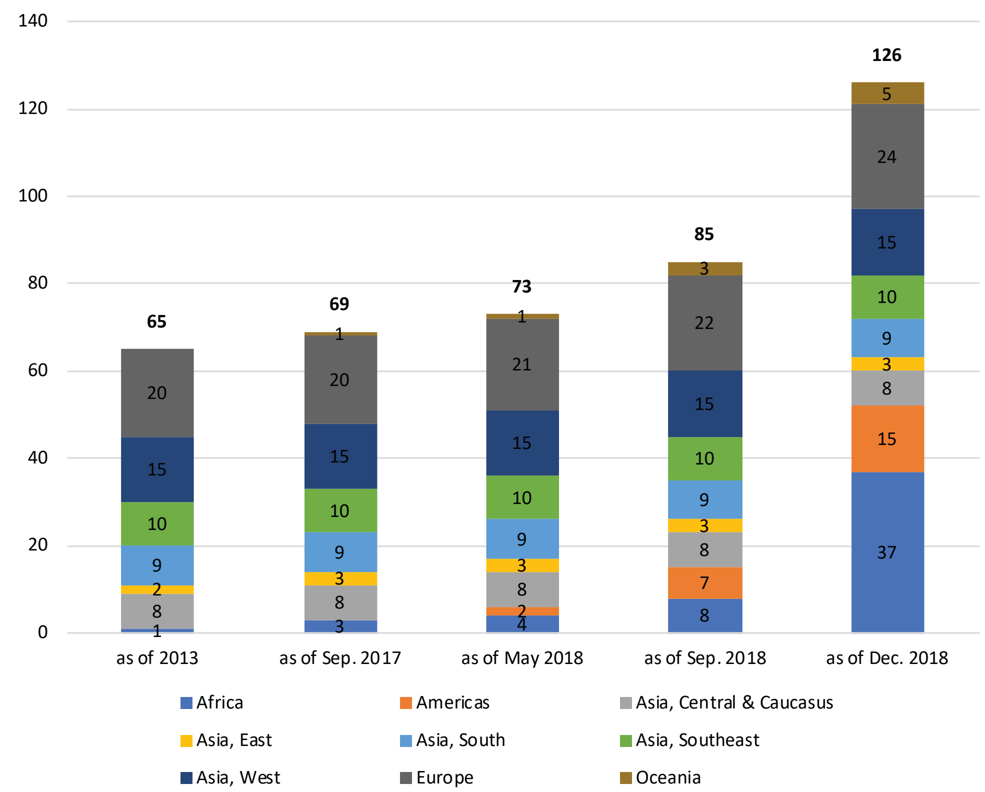
After a stable membership of about 65 between the BRI's inception in 2013 and 2016, there has been a dramatic increase in the number of countries deemed by the Chinese authorities to be part of the BRI since 2017. This increase is demonstrated by the signature of a very large number of bilateral MOUs on Belt and Road cooperation between China and partner countries during 2018. As of mid-December 2018, the official Belt and Road Portal counts 126 BRI countries (see below).

The BRI's growth momentum picked up significantly in the wake of the high-visibility global BRI Summit hosted by President Xi in Beijing in May 2017, as demonstrated in Figures 2-4.

The following main conclusions can be drawn from these recent developments in the total number and composition of the BRI countries:

- In terms of number of countries, the BRI has by now almost doubled in size since its announcement five years ago in 2013.

Figure 2: Rapid Growth in the Number of BRI Countries in 2018



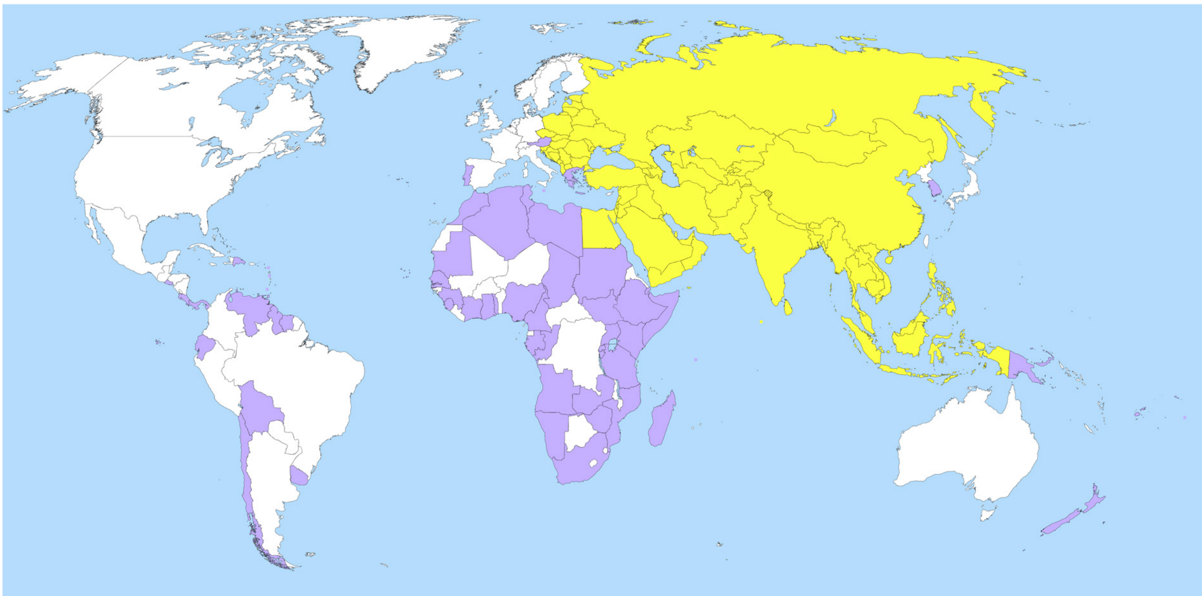
Source: Emerging Markets Forum

- The initiative seems to have picked up significant momentum in the past nine months by China succeeding in signing up more and more emerging economies, despite the mounting criticism of the BRI in the Western media and even emerging controversies in some of the original BRI member countries (see below).
- While the original BRI countries were mainly in Asia and the Middle East, the vast majority of the latest additions are in Africa, Latin America, and even Europe.
- As many as 15 member states of the EU, including three of the core EU-15 (albeit none of the large EU members), have signed MOUs with China on BRI. As a result, a majority of EU member states have thus by now signed onto the BRI.
- The BRI's reach is already almost global, a dramatic change from its Eurasian beginnings just five

Figure 3: BRI Countries in 2013 (yellow)

Source: Emerging Markets Forum

Figure 4: BRI Countries in 2013 (yellow) and Additions by December 2018 (purple)



Source: Emerging Markets Forum

years ago and a far cry from what is implied by its informal name, "the New Silk Road(s)."

Financial Flows and Commitments

There is broad consensus within and outside China that the size of ongoing and anticipated investments under the BRI is massive.

Yet, a striking finding of our study is that there is very little hard information about Chinese investments under the BRI despite its high profile and by now five-year long existence. While it may be too early to estimate the benefits of most BRI projects (as mentioned above), it should be possible to at least calculate the cost of BRI projects and value of Chinese investments. That has been the focus of our work in the past year. As would be obvious from the discussion below, the progress has been slower than expected.

Defining Chinese BRI Investments

In putting together information on Chinese BRI investments, we had to first define what is a BRI investment. In this study, we have defined Chinese investments in the BRI countries as Chinese equity, FDI flows and loans *made after 2012*. Under this approach, Chinese investments in non-BRI countries in Western Europe (for instance, the purchase of Syngenta in Switzerland or Pirelli Tires in Italy), Africa or Latin America (such as Argentina, Brazil, or the Democratic Republic of Congo) were excluded. So were all Chinese investments to all countries, whether BRI or not, prior to 2013.

Technically, there are some questions whether India is formally a member of the BRI because the Indian government has not signed on to it. But, as the official Chinese BRI portal continues to include India as part of the initiative and that portal is our basic reference point, we decided to include India in order to be both consistent and conservative. Another definitional issue concerns the inclusion of the two China based MDBs in our lending data. As explained in Annex 3, while these banks have significant Chinese shareholding, they also have other non-Chinese shareholders and leverage their capital by borrowing from international capital markets. We have still reported their lending activities in the BRI countries. They are relatively small compared to lending by purely Chinese banks to the

Table 1: Years in which Countries Joined the BRI

	Joined the BRI in 2015 or Before
Africa	Egypt, South Africa
Asia, Central & Caucasus	Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan
Asia, East	China, Mongolia
Asia, South	Afghanistan, Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, Pakistan, Sri Lanka
Asia, Southeast	Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Timor-Leste, Vietnam
Asia, West	Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates, Yemen
Europe	Albania, Belarus, Bosnia and Herzegovina, Bulgaria*, Croatia*, Czech Republic*, Estonia*, Hungary*, Latvia*, Lithuania*, Macedonia, Moldova, Montenegro, Poland*, Romania*, Russia, Serbia, Slovakia*, Slovenia*, Ukraine
	Joined the BRI in 2017
Africa	Ethiopia, Morocco
Americas	Panama
Asia, East	South Korea
Oceania	New Zealand
	Joined the BRI in 2018
Africa	Algeria, Angola, Burundi, Cameroon, Cape Verde, Chad, Republic of Congo, Cote d'Ivoire, Djibouti, Gabon, The Gambia, Ghana, Guinea, Kenya, Libya, Madagascar, Mauritania, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe
Americas	Antigua and Barbuda, Bolivia, Chile, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guyana, Suriname, Trinidad and Tobago, Uruguay, Venezuela
Europe	Austria*, Greece*, Malta*, Portugal*
Oceania	Fiji, Niue, Papua New Guinea, Samoa
	* European Union member state

Source: Belt and Road Portal

BRI countries. In any case, our study does not consolidate their lending with that of Chinese banks.

Objectives and Constraints to Collecting Financial Data about the BRI

Ideally, an analysis of the type undertaken by us should be based on data from a single source. The data should be *granular, breaking down costs and investments* by country, year, project, and sector. Separate data are also required for debt and equity investments, both by sources and recipients. Also, for data on loans, it is necessary to know the lending terms (length, grace period, interest rate, etc.). Usually, data are also sought for both commitments (necessary to calculate exposure and obligations) and disbursements (useful to measure implementation progress).

Given the nature of the BRI (lack of a master plan, over a hundred recipient countries, multiple Chinese financiers and numerous contractors without a known central information repository), we were unable to identity a single source of information on the costs and financing of this massive initiative. Therefore, we had to resort to a multi-pronged approach (described below) that tapped a variety of data sources both within and outside China.

Top-down Information on Chinese Financing of the BRI

There were significant Chinese equity financial flows into BRI countries. The Chinese Ministry of Commerce (MOFCOM) reports that in the five-year period 2013-2017, actual FDI outflows (disbursements) were $80.7 billion. In addition, the Silk Road Fund (SRF) reported commitments worth $6.2 billion to BRI countries since its inception in 2014.

By far the largest amounts of Chinese financing of BRI projects involved loans. According to various Chinese sources researched by our associates at the Emerging Markets Institute based at Beijing Normal University[13], Chinese banking institutions committed over $400 billion worth of loans to the BRI countries between 2015 and 2017.

Of this, China's two leading policy banks, the China Development Bank (CDB) had reportedly cumulatively disbursed some $170 billion of lending to BRI countries by mid-2017, while the Export-Import Bank of China (CHEXIM) reported a loan disbursement balance of $130 billion to BRI countries as of March 2018.

Finally, while strictly they do not channel official Chinese finance, the two China-based multilateral developments banks (the Asian Infrastructure Investment Bank [AIIB] and New Development Bank [NDB]) committed $12.3 billion between them to projects in BRI countries through 2018.

Because of their differing definitions and different reporting time periods, the above-mentioned individual debt and equity financial flow figures cannot be added together. They must therefore be used with utmost caution lest they be misinterpreted.

Need for Granular Bottom-up Data, and Use of Triangulation Approach

Also, while these individual pieces of top-down information are reportedly reliable given their sources[14], they do not provide the sort of granular data broken down by year, country, and individual project as well as financing terms that we sought. For such details, we had to turn to other sources of data. Some of these sources report data in terms of commitments, and others in terms of disbursements; further, not all sources give data for all years and or all countries.

On the other hand, some independent international databases report data on Chinese loan commitments at the project level either for all sectors in some years or for some sectors in most years, but none do for all sectors in all years. To add to these complications, when one compares project-level data (by country and year) between different databases, they sometimes differ significantly.

For example, an international database that regularly tracks announced Chinese equity investments[15] reported $202 billion worth of investment in BRI countries during 2013-17. This is more than twice the amount of FDI reported by MOFCOM during the same period. This disparity is probably due to the natural differences between announcements and disbursements and also in the country sample specifications as discussed in Annex 2.

As is evident from the above discussion, combining these data into a cohesive single set is like solving a puzzle without all the pieces.

In order to seek a more granular understanding of the nature and scope of the BRI—one beyond what can be gleaned from press stories about individual BRI projects, whether planned, troubled or completed—our study team delved carefully into various independent databases that are publicly available and that report consistent data on

13. EMI researchers Liu Qingjie, Li Yidan, Yu Rongrong and Zhou Liao have made invaluable contributions to this part of our study by researching and collating top-down data on Chinese financial flows to BRI countries. These top-down data have allowed us to triangulate data from other sources, which allowed us to develop the confidence necessary to present our preliminary findings in this paper.

14. Annual reports of the Chinese banks, official news sites, formal press releases, etc.

15. The China Global Investment Tracker, managed by the American Enterprise Institute.

Chinese investments in the BRI (and other) countries. The initial findings of our still ongoing work are summarized below; more detailed data collected and reviewed by us is given in **Annexes 1-4**.

We have tried to triangulate this data with the latest data from the Chinese sources mentioned above. This has allowed us to develop greater confidence in our findings, though they remain far from perfect and still require much further research and refinement.

Some Provisos

Before presenting our preliminary results, it is important to emphasize four provisos: first, that we have used data from different sources; second, that it has not been possible to obtain data for all categories for every year between 2013 and 2017; third, while the most solid data on the implementation of the BRI would be actual disbursements (which would show progress in the implementation of the projects on the ground), for many institutions we can obtain only commitment data (AIIB, NDF, SRF); and fourth, for these reasons, it is not appropriate to add up all these numbers into a single table, as doing so may mislead the reader.

Still, given that we have found no alternative consistent and granular data on the BRI, we believe that even the imperfect presentation below reveals some interesting insights into the direction of the BRI to date.

Preliminary Findings on Chinese Financing under BRI

Equity Investments and FDI Flows

Some of the most transparent and complete data reported by Chinese sources comes from the Silk Road Fund (SRF) (Annex 1). Established in 2014 with $40 billion of capital, SRF had made investment commitments worth $8 billion as of September 2018. Its largest investments in BRI countries are in Russia (oil and gas), Kazakhstan (a diversified fund) and the UAE (power). It has also invested in a coal power generation project in Pakistan. SRF also has some investments in non-BRI countries (Italy). Our analysis indicates that SRF has committed $6.2 billion in the BRI countries.

Data on China's other, much larger equity investments (FDI) are also relatively clear cut (Annex 2). According to MOFCOM, China's annual outward FDI flows ranged between $12.6 and $20.2 billion during the 2013-2017 period and totaled $80.7 billion during these five years. But, as mentioned above, an independent database maintained by a US-based think tank produces an estimate of Chinese equity investment in the BRI countries that is more than double this amount. However, despite this discrepancy, it is possible to discern some common trends between the two data sets. Most of the investment has gone into export-oriented projects that will generate hard currency revenues (oil and gas, ports) and in creditworthy countries such as Singapore, South Korea, Russia, Kazakhstan and Malaysia. Very little investment seems to have gone into infrastructure projects with long gestation periods and revenues in local currency, and into countries with poor credit ratings. Thus, Chinese equity investors seem to have acted as any equity investor would be expected to: invest in the more creditworthy countries and in export-oriented projects that generate revenues in foreign currency relatively quickly.

Loans by China-based MDBs

With regards to loans, the most robust data cover lending by AIIB and NDB, the two China-based multilateral development banks (MDBs). Between them the two institutions lent a total of $12.3 billion (Annex 3); AIIB's total lending to BRI countries amounted to $7 billion and NDB's to $5.3 billion: India, Indonesia, Turkey and Azerbaijan were (in descending order) the four largest borrowers of AIIB. Energy was the biggest sector followed by transport. In the case of NDB, India, Russia and China were the largest borrowers (it only has five borrowers), and energy, water and transport were the sectors that received the most support. However, in terms of their overall lending volume, these two China based MDBs account for only a small proportion of total "Chinese" debt financing of BRI projects.

Chinese Loans to the BRI Countries

Overseas lending by Chinese state banks (mainly the two policy banks) forms the backbone of the BRI. However, the Chinese government does not publicly disclose in detail how much its state-owned banks have loaned to foreign borrowers[16]. Some foreign academic institutions and think tanks have sought to fill this void by compiling their own databases. One of the best such open-source databases is maintained by AidData, a research center based at the College of William and Mary. AidData's public database currently contains observations only through 2014, which are used in Annex 4; data for years 2015 through 2017 may be released in late 2019, at which time Annex 4 will be updated.

16. Only limited top-down information is given in the annual reports of policy banks and other state-owned banks

According to AidData, the value of Chinese official lending[17] (COL) to the Belt and Road countries amounted to $66.7 billion of COL in 2013-14; it was 93.2 percent of total COL worldwide. Two infrastructure sectors—transport and energy generation—absorbed more than 80 percent of Chinese lending to BRI countries. Pakistan was the largest borrower for energy and transport projects. Other major recipients for energy projects included (in descending order) South Africa, Cambodia, and Indonesia. In the transport sector, other major recipients were Ethiopia, Kenya, Iran, and Sri Lanka.

Based on a review of all this disparate (and admittedly imperfect) data, it is possible to draw the following *tentative conclusions*, which are subject to refinement (or even corrections) as our work moves forward:

1. Total Chinese exposure (equity and loans) to BRI countries is very significant and appears to be rising.
2. Cognizant of the nature of the data collated by us, we are hesitant to calculate a single consolidated to China's total investments in the BRI countries since 2013.
3. Instead, we feel much more comfortable in reporting six separate numbers *which we do not believe can be added together:* SRF's commitments of $6.2 billion as of end-2017; FDI outflows of $80.7 billion (or more) between 2013-17; AIIB's and NDB's combined loan commitments of $12.3 billion between 2016 (when their first loans received board approval) and 2018; cumulative CDB disbursements of $170 billion as of mid-2017; CHEXIM net disbursements of $130 billion as of March 2018; and total cumulative commitments to the BRI countries by all Chinese banks of *perhaps* more than $400 billion (excluding the two MDBs). The last number is both the biggest and most uncertain.
4. For reference, it is interesting to note that the four legacy multilateral development banks (the World Bank Group, Asian Development Bank, African Development Bank, and Inter-American Development Bank) altogether lent or invested about $490 billion between 2013-17 to their borrowers throughout the world, as shown in **Annex 5.** The annex also show data for EBRD and for the two Japanese bilateral agencies (JICA and JBIC).
5. While the FDI and loan disbursement data are obviously robust, the data on loan commitments (particularly as reported by non-Chinese sources), while more granular, carry a large margin of error. The actual volume of commitments to some countries may come down as some of the agreed projects may get reconfigured or even cancelled (for example, projects in Malaysia, Myanmar, Maldives, and even Pakistan).
6. China's assistance to the BRI countries has a significant concessional aid component. Fully, 20 percent ($13.4 billion) of its official lending to BRI countries during 2013-14 qualified as ODA.
7. Despite the informal name of the initiative—the New Silk Road—only a small portion of China's total investments have so far been directed into BRI countries in the Central Asia and South Caucasus region. Instead, the bulk of past investments have been in Southeast Asia, South Asia and Russia.
8. In terms of sectors, energy (both extraction and generation) projects have been the major beneficiaries of both equity and debt investments. The real estate sectors of relatively high-income countries such as Singapore, South Korea and Malaysia have also received a significant amount of equity investment.

VI. International Perceptions and Reactions Thus Far

Given the massive size and wide geographic coverage of the BRI, as well as the intense global publicity it is generating, it is not surprising that the initiative is also attracting a wide range of reactions around the world.

Within the BRI recipient countries, reactions so far have been generally positive, especially in official circles and official pronouncements. Projects such as the high-speed railways (between Ethiopia and Djibouti and between Budapest and Belgrade, to name a few), the new Khorgos dry port in Kazakhstan, the Piraeus Port in Greece, and some of the transport projects in the Balkans, as well as the prospect of the China-Pakistan Economic Corridor (CPEC) eliminating Pakistan perennial power shortages in the near term, have all received good local press and solid high-level political support.

In a few countries, however, some elements of the civil society, the political opposition parties and the press have started to raise questions similar to those often associated with large infrastructure projects (their ability to create jobs in the local community, their impact on the environment

17. AidData reports loans and export credits separately. In these figures, loans and export credits as reported by AidData have been combined and are referred to collectively as lending.

and displaced people, the affordability of their services, etc.). In some other instances, newly installed governments have decried some BRI projects `as too expensive or not in the host country's best interest (e.g., Sri Lanka, Malaysia, Maldives). So far, such instances are relatively few exceptions among hundreds of BRI projects spread over 126 countries. However, a spike in such cases would increase the BRI's reputational risk to China. The only way to contain this risk is to ensure that every BRI project benefits its host country and to increase the transparency of Chinese assistance (see below).

In many developed countries (particularly members of the G-7), the narrative on the BRI has become much more negative in recent months. There are two reasons for this. First, the few negative instances (the handover of Hambantota Port in Sri Lanka, which cost over $1.3 billion; Malaysia's recent suspension of $20 billion worth of high-speed railway and oil pipeline projects; concerns about Pakistan's debt sustainability under CPEC, which is expected to cost around $60 billion, etc.) have received wide publicity in the Western press. Second, these reports are dominating the current narrative in the OECD countries because of a lack of factual information about the overall BRI program, and especially about projects that are going well. If made public, such factual information about all BRI projects underway would allow dispassionate analysts to view projects with mixed outcomes in a broader context and come up with a much more balanced evaluation. In the absence of more complete information, reports about the failures of a few BRI projects in high-risk countries could damage the reputation of the entire initiative. This would be most unfortunate and would do a great disservice to the BRI countries as a whole. It would also increase the reputational risks to China.

VII. BRI's Broader Economic and Social Impact: Some Emerging Concerns and Issues

In our review of the BRI so far, the following six concerns and issues about the initiative's broader economic and social impact have emerged:

1. <u>Fit with domestic development plans and strategies</u>*:* Our country-specific work suggests that local ownership and satisfaction with the BRI to date is related to the extent to which BRI projects fit or are integrated with host countries' national development plans and strategies. This is also understandable economically, since only such an approach would avoid duplication and waste and maximize the long-term development impact of BRI projects on the domestic economies. It is also consistent with the experience and practices of the multilateral development institutions.
2. <u>Potential impact on the fiscal and debt stability of host countries</u>*:* Many BRI countries are still low or lower-middle income economies with modest growth rates and fragile national balance sheets. They have only a limited capacity to absorb large amounts of external debt at or near market rates, unless their new borrowings can be serviced by additional revenues in foreign exchange generated by the projects financed with such debt. While this is not an issue for quick-gestating, export-oriented projects in the energy sector (oil, gas) or projects financed primarily through equity (those financed by the Silk Road Fund or other Chinese FDI), a country's fiscal stability and debt sustainability could be compromised by large infrastructure projects with long gestation periods and uncertainties associated with future revenue streams that are funded mainly through high-cost debt[18]. These risks are relevant not only to host countries, but also to the Chinese lenders and investors, and ultimately to the Chinese government.
3. <u>Economic and financial viability of projects and risk assessment</u>*:* The fundamental risks relating to the BRI, both to the recipient countries and ultimately to China arise from the basic economic and financial viability of the projects being supported by the initiative. The much-publicized problem projects highlighted above all seem to have three common threads. First, the projects did not seem to have adequate demand (in terms of traffic or revenue streams) to make them economically and financially viable. Second, in many cases the projects appear to have been proposed by host country agencies without due diligence, perhaps because of political pressures; some projects ended up being overdesigned for prestige reasons without enough attention being given to their viability. And third, the difficulties with the projects became public after a change in government in their host countries. The main lesson from these cases is that there is need for both more rigorous due diligence during project selection and appraisal and

18. A study by the Center for Global Development (2018) concluded that China's Belt and Road Initiative heightens debt risks in eight BRI countries; https://www.cgdev.org/

for greater risk assessment to ensure that projects are both economically and financially viable.[19]

4. *Environmental sustainability and social impact:* A common question being raised by the global development community about projects under the BRI is whether they follow internationally acceptable environmental standards and support sustainability. In some respects, it is ironic that this issue is being raised about China's flagship global initiative. China is today acknowledged as the global leader in promoting and defending the COP-21 agreement on climate change. It is also widely seen to be making far-reaching changes in its domestic economy, including in its future energy mix, to reduce carbon emissions and reliance on fossil fuels. The questions about the BRI's environmental sensitivity arise at two levels. First, yet in many countries (e.g., Pakistan, the UAE, Russia), Chinese investors are developing coal-based power plants and new fossil fuel production capacity, in sharp contrast to China's domestic emphasis on renewable energy sources. Second, because of the speed at which large infrastructure projects under the BRI are approved and built, it is not clear whether their environmental and social impact is being reviewed and mitigated to the same degree that projects financed by traditional development lenders are. Again, the processes being followed by AIIB in this respect may be of relevance, and if also adopted by the Chinese domestic banks could help defuse these concerns within the international community. The obvious challenge will be how to do so while at the same time ensuring speedy project implementation, which the BRI countries consider as China's competitive advantage over the MDBs.
5. *Do the recipient countries adequately benefit from the BRI?* This again is a question that frequently arises in the context of most bilateral assistance programs. It is not surprising that it is also coming up in the case of the BRI. There are three specific reasons—aside from the debate about China's geopolitical ambitions—that these questions arise in the case of the BRI, perhaps with somewhat greater intensity. First, by now the legislation behind almost all OECD countries' bilateral aid programs requires public disclosure of the basic terms (size, payment period, interest rate, procurement rules) of their support for individual projects and programs. Under the BRI, such information does not seem to be publicly available, at least on a systematic basis. Second, Chinese financing for BRI projects appears to be often contingent on the use of Chinese contractors, labor, suppliers, and even operators after project completion. While such "tied" financing is not totally absent from other countries' bilateral aid, the apparent lack of procurement competition under most BRI projects fuels doubts about whether projects are cost-effective and maximally beneficial to their local economies (in terms of job creation and knowledge transfer). Tied financing also reinforces the impression that the BRI is designed partly to export China's surplus capacity in sectors like construction, steel and cement[20]. Finally, there is always the question of how foreign investment can most effectively generate domestic jobs and long-term economic growth in the host country. Chinese leaders have rightly emphasized their desire to create win-win outcomes for both the recipient countries and China. Realizing this objective will be the biggest challenge for the BRI's long-term success and international reputation (see below).
6. *Financial risks to China:* Given the BRI's massive size, the nature of its participant countries, and the speed at which projects have been initiated, a fundamental concern that arises from the limited information available to us is about the initiative is the financial risk to which China is potentially exposed. The basic assumption of this paper is that Chinese financing of the BRI—whether in the form of FDI or loans—is essentially investment of its citizens' savings in other developing countries, and that it is not charity. Given this, China, like any investor, should expect to recover its capital plus a reasonable return on its overall portfolio of BRI projects. If a non-negligible share BRI projects are unable to produce adequate revenues in a timely manner and their host countries are unable or unwilling to fulfill their financial obligations, *China's own initiative could become a drain on its*

19. There may be cases where a project is economically viable but not financially viable if financed on purely commercial terms. This does not always mean that the project should not go ahead. In such cases some sort of viability gap support may be justified from the public sector. It could involve strategic use of concessional funds provided by China or one of the MDBs.

20. Concerns about China's surplus industrial capacity may well have influenced Chinese policymakers' decisions during the first few years of the BRI. These concerns probably do not inform BRI projects today, however, because China's surplus industrial capacity from 2013 should have been depleted by the time of writing or should be used up soon given China relatively high economic growth rate (6-7 percent since 2013).

resources. For example, even if only 10 percent of BRI investments fail to meet expectations—and assuming that the BRI will cost about $2 trillion in public funds (conservatively assuming the lower end point of the often quoted $2-4 trillion cost of BRI) between now and 2049—the investment at risk could amount to some $200 billion. Since many of the BRI countries are considered high credit risks by the markets have weak institutions, and many BRI projects may not yield expected results, this assumed 10 percent failure rate may be optimistic, and in reality a higher value of Chinese investments may be at risk. If the failure rate were to rise to 20 percent (given the recent expansion of the BRI into higher-risk countries in Africa and the Americas), the value of Chinese investments at risk could rise to perhaps as much as $400 billion. *The strategic question before the Chinese policymakers therefore is how best to mitigate and manage the financial risk to which the country is exposed due to the BRI.*

VIII. Importance of Creating Win-win Outcomes

The publicly available data about BRI projects suggests that energy and transport infrastructure projects comprise the largest proportion of BRI investments to date. This is appropriate at the early stages of the initiative's rollout, since infrastructure bottlenecks are endemic in almost all recipient countries and are the binding constraints to their economic development.

At the same time, in their design and operation, infrastructure facilities can and need to be conceived in the broader economic context of the areas they serve in order to yield the greatest benefits to the local economy, people and businesses. For example, transport projects should not only aim to provide point-to-point logistical links, but also, where possible, be designed as economic corridors, even if some re-routing is required, as this could yield higher economic returns to host countries.

Similarly, the BRI's connectivity projects could become powerful means of promoting regional trade, investment and creation of value chains, in addition to facilitating transcontinental transportation. Equally important, significant involvement of local suppliers and contractors could create jobs in host economies and bolster support for the BRI among the public at large. Investments in complementary infrastructure (secondary and tertiary roads), industrial estates, SMEs, etc. could yield permanent economic rewards for local communities and make them strong allies of the BRI.

So far it seems that BRI projects are mostly country-specific—driven by host governments' priorities and the corporate or political priorities of the Chinese agencies involved. But for regional connectivity to be effectively established, there need to be careful regional planning and implementation mechanisms that ensure that the requirement of efficient regional networks is being met. Linked to this is the need for regional cooperative institutional platforms. This is a big challenge, as demonstrated by the limited success of even the MDBs in establishing such platforms (e.g. CAREC).

Over the longer term, the real prize of the BRI may lie in the non-infrastructure components of this landmark initiative, particularly trade and investment, and financial integration. It is therefore important that the BRI gradually move beyond infrastructure and entice multinational and private Chinese companies to do business in participant countries. This will have the added advantage of leveraging official Chinese financing and sharing risks with private sector actors. Yet this will require much stronger and deeper institutional capacity within China, as well as collaboration with multilateral development institutions that have longstanding expertise in this field (see below).

IX. Future Direction and Implementation of the BRI

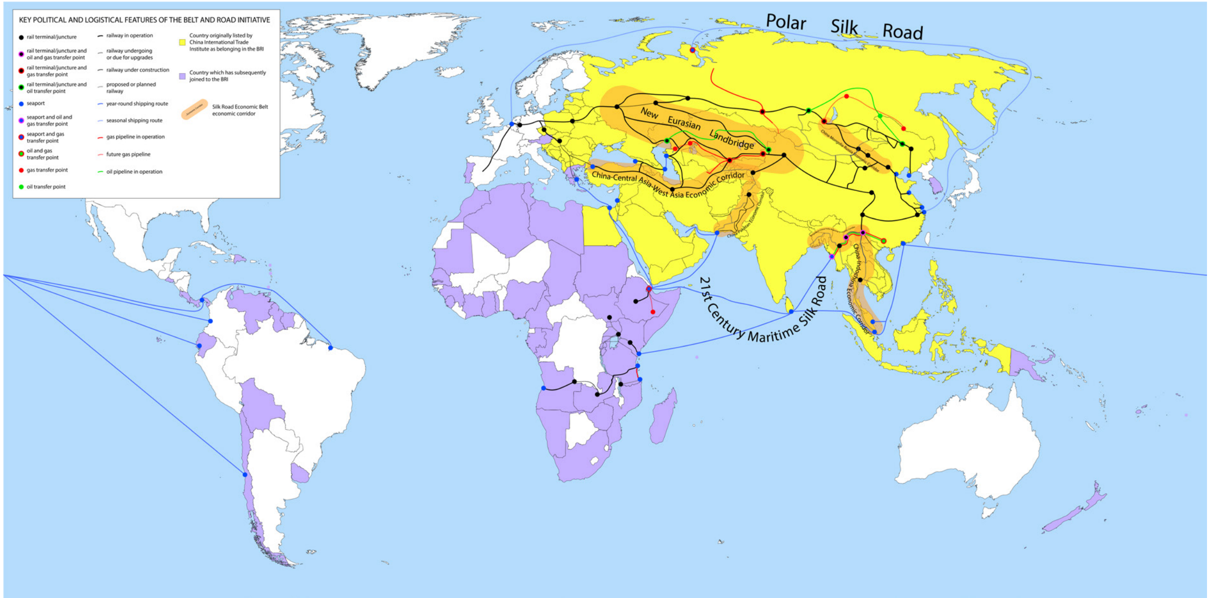
Geographic Expansion

Figure 5 shows the reach of the BRI in December 2018. At its current rate of expansion, it is quite conceivable that the BRI might encompass as many 150 countries in all continents of the world in not too distant a future. The following paragraphs discuss the practical implications of such an expansion.

Africa is rightly beginning to receive greater attention under the BRI, as the recent addition of 33 more African countries suggests. This is consistent with statements by the Chinese leadership that the BRI is also intended to support achievement of the Sustainable Development Goals (SDGs) agreed at the UN. But to support these global goals, China will need to include most of the remaining countries in sub-Sahara Africa, which arguably present the most daunting development challenges in the world, in the BRI.

While desirable from a global perspective, this expansion of the BRI there would increase the overall risk profile of the initiative's portfolio, as the realization of successful

Figure 5: BRI Coverage in December 2018



Source: Emerging Markets Forum

projects would not be easy in the vast majority of sub-Saharan countries. The question is, should China build specialized knowhow and capacity to tackle many the intricacies of the sub-Saharan economies, or should it partner with other institutions like the World Bank to tap their specialized knowledge?

On the other hand, the addition of some more countries in Latin America—also a region in need of additional capital (including in infrastructure) to raise its currently inadequate savings and investment rates—could balance the risk profile by adding countries with higher income levels and more mature domestic institutions. However, it would also have huge practical implications in terms of the organizational and financial resources needed to operate successfully in this much more developed region.

The fundamental question to be answered before any further geographic expansion of the BRI occurs, whether in Africa or Latin America, concerns China's institutional capacity to manage the implementation of and financial risks involved in this massive program and the speed at which it can put in place the due diligence and oversight mechanisms.

Operating globally and in so many countries simultaneously will be a herculean task. It must be undertaken after very careful consideration of all practical implications.

Partnerships with International Financial Institutions (IFIs)

As mentioned previously, in the past year top Chinese leadership have held meetings with the heads of six key international financial institutions (IMF, World Bank, EBRD, AIIB, ADB, etc.) to explore ways to develop partnerships for implementing the BRI. The response of the IFIs has been positive. This is an encouraging development.

At this stage of the BRI's evolution, these institutions can provide valuable knowledge, expertise and insights to help resolve almost all of the issues outlined above. This knowledge and expertise would also be of particular value as China emphasizes the thematic areas of policy coordination, trade and investment, and financial flows.

Equally important, more active and visible involvement of IFIs (including AIIB and the New Development Bank) in BRI projects could help ease many of the international concerns discussed above. Such partnerships would prove even more important as China further scales up the BRI in sub-Saharan Africa and Latin America.

Balance between the Five BRI Themes

Over time, in order to maximize the development impact of the BRI, all five themes of the initiative would need to be emphasized in most countries and the current dominance of infrastructure projects reduced gradually.

As the relative weight of the trade, investment and financial integration components of the total BRI portfolio rises, the need for long-term loans from China's policy banks will also gradually come down while the flow of risk capital from Chinese investors increase. By creating more direct jobs and business opportunities in the BRI countries, this will create greater win-win possibilities. It will also help reduce sovereign financial China's risk exposure.

However, a precondition to achieving such a strategic balance will be more conducive policy and institutional environments in individual BRI countries. Without a reasonable business environment, Chinese (and international private) businesses are unlikely to invest large amounts of long-term capital in fixed assets. This could be done either on a bilateral basis by strengthening internal Chinese expertise or in partnership with multilateral development banks, as suggested above.

X. A Final Word: Ongoing Internal Review within China

In mid-2018, top Chinese policy makers (the State Council) commissioned a comprehensive review of the BRI as the initiative reached its fifth anniversary. The National Development and Reform Commission (NDRC) reportedly coordinated the review.

In addition to inputs from various government bodies, NDRC asked for inputs from leading Chinese think tanks and academics. It also invited views from selected foreign experts. Importantly, the government has asked international institutions for advice and assistance. For example, with active support from the IMF, the People's Bank has opened a joint institute in Beijing to study fiscal and debt issues in BRI countries. There are also reports that the Chinese government is in the process of implementing an earlier decision to strengthen internal coordination and reporting of BRI activities, perhaps through NDRC. In addition, we understand that the Ministry of Finance has established a new institute that is in the process of setting a joint trust fund with six multilateral institutions (including the IMF, AIIB, World Bank, and EBRD) to collaborate on the development and implementation of BRI projects and related issues.

Hopefully, many of the issues outlined earlier in this paper will be addressed under the above-mentioned internal Chinese review and through the collaborative mechanisms with the international financial institutions that this report calls for.

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Annex 1

Silk Road Fund Investments in BRI Countries

The Silk Road Fund (SRF) was established in late 2014 through a capital injection of $40 billion from four Chinese state-owned financial bodies[21]. Under the direction of these four initial investors and China's top planning institutions[22], SRF "gives priority to promoting the implementation of the [Belt and Road Initiative (BRI]," to which end it "invests in infrastructure, resources and energy development, industrial capacity cooperation and financial cooperation along the Belt and Road." However, the Fund has also made significant investments outside of the Belt and Road, chiefly in Italy's transport sector[23].

Though sometimes also referred to as a sovereign wealth fund (SWF), SRF rejects this moniker in light of its focus on project investment (as opposed to the more diverse operations of most SWFs) and its openness to overseas investors.

On top of its initial capitalization of $40 billion, SRF received an additional contribution of $14.5 billion from the Chinese government in 2017.

SRF's Articles of Association permit the Fund to invest in equity and debt, jointly establish funds with domestic and overseas institutions, manage entrusted assets, and commission others to invest. By the end of 2017, the SRF had made commitments worth more than $9 billion, according to EMF research. According to SRF officials, the Fund had *invested* $7.4 billion as of April 2018, of which 70 percent had funded infrastructure projects. As concerns its investments in BRI countries alone[24], EMF research could confirm around $6.2 billion worth of commitments.

Table A1 below gives a breakdown of SRF commitments to BRI countries by financing instrument. It should be noted that only one of SRF's six investment cooperation agreements with BRI countries has resulted in a confirmed investment project.

Table A2 subdivides SRF's contracts in BRI countries by sector and financing instrument and shows the Fund's commitments by sector. In this context, "finance" mainly refers to SRF participation in subsidiary funds; the two largest of these—the China-Kazakhstan Production Capacity Cooperation Fund (CKPCCF) and the China-EU Co-Investment Fund—received SRF investments of $2 billion and EUR 250 million, respectively.

Table A3 lists SRF commitments by recipient country. In Russia, SRF's commitments have focused on energy. In 2015, SRF committed almost $2 billion of equity and debt[25] for the Yamal LNG project, from which China has secured a long-term offtake of 195 billion cubic feet per annum. The Fund also holds a $1.15 billion minority stake in SIBUR, a diversified Russian company with assets in the energy and

21. This capital injection was provided by the State Administration of Foreign Exchange (65 percent), the China Investment Corporation (15 percent), the Export-Import Bank of China (15 percent), and the China Development Bank (5 percent).
22. NDRC and the ministries of finance, commerce, and foreign affairs each hold a directorship on SRF's board.
23. These two commitments are a nearly $2 billion equity investment in tire maker Pirelli and an approximately $1 billion equity investment in highway administrator Autostrade per l'Italia.
24. This includes regional investments that may include BRI countries.

25. In fact, SRF extended its only known loan, worth $792 million, for Yamal LNG.

Table A1: SRF Commitments to BRI Countries by Financing Instrument

Type	Number	Estimated total SRF commitment (US$ billions)
Equity Investment	5	3.1
Investment Cooperation Agreement	6	n/a
Jointly Managed Fund	2	2.3
Loan	1	0.8
Subscription Agreement	3	unknown

Source: Emerging Markets Forum

Table A2: SRF Contracts in BRI Countries by Sector and Investment Instrument

Type	Energy	Finance
Equity Investment (number)	3	1
Investment Cooperation Agreement (number)	4	2
Jointly Managed Fund (number)		2
Loan (number)	1	
Subscription Agreement (number)		3
TOTAL (number)	8	8
Estimated Total SRF Commitment (US$ billions)	3.8	2.4

Source: Emerging Markets Forum

Table A3: SRF Commitments by BRI Country

Country	Estimated total SRF commitment (USD billions)	Principal sectors
Russia	3.1	Energy (extraction)
Kazakhstan	2	Industry, Technology
UAE	0.7	Energy (generation)
Pakistan	unknown*	Energy (generation)

Source: Emerging Markets Forum

** The Karot hydropower station project, in which SRF holds an equity share of indeterminate size, has a reported total cost of $1.65 billion.*

petrochemical sectors. By contrast, Kazakhstan's single commitment from the SRF—the Fund's largest commitment yet—financed the creation of CKPCCF, which in turn invests in areas critical to Kazakhstan's economic diversification, namely industrial capacity, innovation, and information technology. Meanwhile, the Fund's investments have supported the construction of a coal power plant in the UAE and a hydropower plant in Pakistan. SRF has additionally reached investment agreements with institutions in countries or regions not listed in Table A3; however, the details of these agreements are often too vague to discern whether or not financial commitments arose from them.

Annex 2

Chinese Foreign Direct Investments in BRI Countries

China's Ministry of Commerce (MOFCOM) describes FDI as a core area of economic cooperation with major countries along the Belt and Road.[26]

As Table A4 shows, Chinese outward FDI in BRI countries grew in the initiative's first two full years. It then declined in 2016 before making a full recovery in 2017—this despite an almost 20 percent decline in Chinese outward FDI globally (MOFCOM 2018a). Chinese outward non-financial FDI in BRI countries also declined in 2016. It continued to decline gradually in 2017, though China's outward non-financial FDI declined faster globally. Additionally, Chinese companies merged with or acquired firms in 62 countries in 2017. These transactions were valued at $8.8 billion, up from $6.6 billion in 2016.

Singapore, Malaysia, and Indonesia were top recipients of non-financial Chinese outward FDI in both 2016 and 2017. Other major recipients were Cambodia, India, Laos, Pakistan, Russia, Thailand, the UAE, and Vietnam (MOFCOM 2017, 2018b).

Between 2013 and 2017, the Chinese invested $80.7 billion in FDI into the 65 original BRI countries.

Table A5 presents official figures for Chinese outward FDI flows into 70 early participants in the BRI during the initiative's first five years. These figures were graciously compiled by the staff of the Emerging Markets Institute of Beijing Normal University. They make clear that Southeast Asia receives the lion's share (more than 63 percent) of China's outward FDI flows to these 70 BRI countries. They also highlight the importance of Russia as a destination of Chinese FDI.

Table A6 presents official figures on the stocks of Chinese outward FDI in 70 early participants in the BRI from 2013 through 2017. As before, these figures were compiled by the staff of the Emerging Markets Institute of Beijing Normal University. Some countries, such as Kazakhstan, Myanmar, and South Africa, have relatively large stocks of Chinese FDI, but do not rank comparably in terms of FDI flows; for other countries (particularly Malaysia, Thailand, and Vietnam), the situation is the reverse.

Independent estimates of Chinese outward equity investments in BRI countries differ significantly from MOFCOM's FDI figures. The China Global Investment Tracker (CGIT), maintained by Derek Scissors of the American Enterprise Institute, is one such independent estimate. CGIT tracks Chinese outward equity investments with a reported value greater than $100 million each.[27]

Table A7 shows the sectoral distribution of Chinese outward equity investment received by BRI countries during the first five years of the BRI. It also shows each sector's share of Chinese outward equity investment in BRI countries in its penultimate column, as well as the share of Chinese outward equity investment in each sector globally that was received by BRI countries.

According to these figures, BRI countries received more than 31 percent of China's outward equity investment between 2013 and 2017. Almost 42 percent of China's investment in BRI countries focused on the recipients' energy sectors, and these countries received more than half of all Chinese investment in energy globally. By contrast, Chinese investments in BRI countries' transport and logistics sectors together made up less than 14.5 percent of BRI countries' Chinese equity investment receipts; however, BRI countries absorbed almost 39 percent of China's overseas investments in logistics. Meanwhile, the utilities sector made up less than one percent of total Chinese

26. It appears that the MOFCOM FDI data covers the BRI countries in the original 65 Asian, European, and African member states shown in Figure 3. The MOFCOM figures cited here may underestimate the Chinese FDI in the current complete list 126 BRI countries. This requires further clarification.

27. The figures presented in Tables A7 and A8 draw on a sample that includes all 126 BRI countries as of December 2018.

Table A4: Chinese Foreign Direct Investment in the 65 Original BRI Countries, 2013-2017

	2013	2014	2015	2016	2017
All FDI					
US$ billions	12.6	13.7	18.9	15.3	20.2
Share of global total	11.70%	11.10%	13.00%	7.80%	12.70%
Non-Financial FDI					
Number of recipient countries				53	59
US$ billions			14.8	14.5	14.4
Share of global total				8.50%	12.00%

Source: MOFCOM, Emerging Markets Institute

Table A5: Flows of Chinese Foreign Direct Investment into 70 Early BRI Countries, 2013-2017 (US$ millions)

Country	2013	2014	2015	2016	2017	2013-2017
Afghanistan	-1.22	27.92	-3.26	2.21	5.43	31.08
Albania	0.56			0.01	0.21	0.78
Armenia					3.95	3.95
Azerbaijan	-4.43	16.83	1.36	-24.66	-0.20	-11.10
Bahrain	-5.34			36.46	36.96	68.08
Bangladesh	41.37	25.02	31.19	40.80	99.03	237.41
Belarus	27.18	63.72	54.21	160.94	142.72	448.77
Bhutan						0.00
Bosnia-Herzegovina			1.62	0.85		2.47
Brunei	8.52	-3.28	3.92	142.10	71.36	222.62
Bulgaria	20.69	20.42	59.16	-15.03	88.87	174.11
Cambodia	499.33	438.27	419.68	625.67	744.24	2,727.19
Croatia		3.55		0.22	31.84	35.61
Czech Republic	17.84	2.46	-17.41	1.85	72.95	77.69
Egypt	23.22	162.87	80.81	119.83	92.76	479.49
Estonia					0.12	0.12
Ethiopia	102.46	119.59	175.29	282.14	181.08	860.56
Georgia	109.62	224.35	43.98	20.77	38.46	437.18
Hungary	25.67	34.02	23.20	57.46	65.59	205.94
India	148.57	317.18	705.25	92.93	289.98	1,553.91
Indonesia	1,563.38	1,271.98	1,450.57	1,460.88	1,682.25	7,429.06
Iran	745.27	592.86	-549.66	390.37	-368.29	810.55
Iraq	20.02	82.86	12.31	-52.87	-8.81	53.51
Israel	1.89	52.58	229.74	1,841.30	147.37	2,272.88
Jordan	0.77	6.74	1.58	6.13	15.16	30.38
Kazakhstan	811.49	-40.07	-2,510.27	487.70	2,070.40	819.25
Kuwait	-0.59	161.91	144.44	50.55	175.08	531.39
Kyrgyzstan	203.39	107.83	151.55	158.74	123.70	745.21
Laos	781.48	1,026.90	517.21	327.58	1,219.95	3,873.12
Latvia					0.53	0.53
Lebanon	0.68	0.09				0.77
Lithuania	5.51			2.25		7.76
Macedonia	14.94	3.87	10.72	11.37	1.04	41.94
Malaysia	616.38	521.34	488.91	1,829.96	1,722.14	5,178.73
Maldives	1.55	0.72		33.41	31.95	67.63
Moldova						0.00
Mongolia	388.79	502.61	-23.19	79.12	-27.89	919.44
Montenegro					16.65	16.65
Morocco	7.74	11.44	26.03	10.16	59.86	115.23
Myanmar	475.33	343.13	331.72	287.69	428.18	1,866.05
Nepal	36.97	45.04	78.88	-48.82	7.55	119.62
New Zealand	190.40	250.02	348.09	905.85	596.61	2,290.97
Oman	-0.74	15.16	10.95	4.62	12.73	42.72
Pakistan	163.57	1,014.26	320.74	632.94	678.19	2,809.70
Palestine	0.02			0.20		0.22
Panama	187.68	4.81	23.82	37.38	57.74	311.43
Philippines	54.40	224.95	-27.59	32.21	108.84	392.81
Poland	18.34	44.17	25.10	-24.11	-4.33	59.17

Source: Emerging Markets Institute

Table A5: Flows of Chinese Foreign Direct Investment into 70 Early BRI Countries, 2013-2017 (US$ millions) (continued)

Country	2013	2014	2015	2016	2017	2013-2017
Qatar	87.47	35.79	140.85	96.13	-26.63	333.61
Romania	2.17	42.25	63.32	15.88	15.86	139.48
Russia	1,022.25	633.56	2,960.86	1,293.07	1,548.42	7,458.16
Saudi Arabia	478.82	184.30	404.79	23.90	-345.18	746.63
Serbia	11.50	11.69	7.63	30.79	79.21	140.82
Singapore	2,032.67	2,813.63	10,452.48	3,171.86	6,319.90	24,790.54
Slovakia	0.33	45.66			0.68	46.67
Slovenia				21.86	0.39	22.25
South Africa	-89.19	42.09	233.17	843.22	317.36	1,346.65
South Korea	268.75	548.87	1,324.55	1,148.37	660.80	3,951.34
Sri Lanka	71.77	85.11	17.47	-60.23	-25.27	88.85
Syria	-8.05	9.55	-3.56	-0.69	0.53	-2.22
Tajikistan	72.33	107.20	219.31	272.41	95.01	766.26
Thailand	755.19	839.46	407.24	1,121.69	1,057.59	4,181.17
Timor-Leste	1.60	9.73	33.81	55.33	19.52	119.99
Turkey	178.55	104.97	628.31	-96.12	190.91	1,006.62
Turkmenistan	-32.43	195.15	-314.57	-23.76	46.72	-128.89
Ukraine	10.14	4.72	-0.76	1.92	4.75	20.77
United Arab Emirates	294.58	705.34	1,268.68	-391.38	661.23	2,538.45
Uzbekistan	44.17	180.59	127.89	178.87	-75.75	455.77
Vietnam	480.50	332.89	560.17	1,279.04	764.40	3,417.00
Yemen	331.25	5.96	-102.16	-413.15	27.25	-150.85

Source: Emerging Markets Institute

Table A6: Stocks of Chinese FDI into 70 Early BRI Countries, 2013-2017 (US$ millions)

Country	2013	2014	2015	2016	2017
Afghanistan	487.42	518.49	419.93	440.50	403.64
Albania	7.03	7.03	6.95	7.27	4.78
Armenia	7.51	7.51	7.51	7.51	29.96
Azerbaijan	38.34	55.21	63.70	28.42	27.99
Bahrain	1.46	3.76	3.87	37.36	74.37
Bangladesh	158.68	160.24	188.43	225.17	329.07
Belarus	115.90	257.52	475.89	497.93	548.41
Bhutan					
Bosnia-Herzegovina	6.13	6.13	7.75	8.60	4.34
Brunei	72.12	69.55	73.52	203.77	220.67
Bulgaria	149.85	170.27	235.97	166.07	250.46
Cambodia	2,848.57	3,222.28	2,675.86	4,368.58	5,448.73
Croatia	8.31	11.87	11.82	11.99	39.08
Czech Republic	204.68	242.69	224.31	227.77	164.90
Egypt	511.13	657.11	663.51	888.91	834.84
Estonia	3.50	3.50	3.50	3.50	3.62
Ethiopia	771.84	914.62	1,130.13	2,000.65	1,975.56
Georgia	330.75	545.64	533.75	550.23	568.17
Hungary	532.35	556.35	571.11	313.70	327.86
India	2,446.98	3,407.21	3,770.47	3,107.51	4,747.33
Indonesia	4,646.65	6,793.50	8,125.14	9,545.54	10,538.80
Iran	2,851.20	3,484.15	2,949.19	3,330.81	3,623.50

Source: Emerging Markets Institute

Table A6: Stocks of Chinese FDI into 70 Early BRI Countries, 2013-2017 (US$ millions) (continued)

Country	2013	2014	2015	2016	2017
Iraq	317.06	375.84	388.12	557.81	414.37
Israel	34.05	86.65	317.18	4,229.88	4,148.69
Jordan	23.43	30.98	32.55	39.49	64.40
Kazakhstan	6,956.69	7,541.07	5,095.46	5,432.27	7,561.45
Kuwait	89.39	345.91	543.62	578.10	936.23
Kyrgyzstan	885.82	984.19	1,070.59	1,237.82	1,299.38
Laos	2,770.92	4,490.99	4,841.71	5,500.14	6,654.95
Latvia	0.54	0.54	0.94	0.94	1.02
Lebanon	3.69	3.78	3.78	3.01	2.01
Lithuania	12.48	12.48	12.48	15.29	17.13
Macedonia	2.09	2.11	2.11	2.10	2.03
Malaysia	1,668.18	1,785.63	2,231.37	3,633.96	4,914.70
Maldives	1.65	2.37	2.37	35.78	67.34
Moldova	3.87	3.87	2.11	3.87	3.87
Mongolia	3,353.96	3,762.46	3,760.06	3,838.59	3,622.80
Montenegro	0.32	0.32	0.32	4.43	39.45
Morocco	102.96	114.44	156.29	162.70	318.21
Myanmar	3,569.68	3,925.57	4,258.73	4,620.42	5,524.53
Nepal	75.31	138.34	291.93	247.05	227.62
New Zealand	541.73	962.41	1,208.72	2,102.47	2,491.80
Oman	174.73	189.72	200.77	86.63	99.04
Pakistan	2,343.09	3,736.82	4,035.93	4,759.11	5,715.84
Palestine	0.04	0.04	0.04	0.23	0.04
Panama	478.64	204.93	228.15	268.85	358.78
Philippines	692.38	759.94	711.05	718.93	819.60
Poland	257.04	329.35	352.11	321.32	405.52
Qatar	254.02	353.87	449.93	1,025.65	1,105.49
Romania	145.13	191.37	364.80	391.50	310.07
Russia	7,581.61	8,694.63	14,019.63	12,979.51	13,871.60
Saudi Arabia	1,747.06	1,987.43	2,434.39	2,607.29	2,038.27
Serbia	18.54	29.71	49.79	82.68	170.02
Singapore	14,750.70	20,639.95	31,984.91	33,445.64	44,568.09
Slovakia	82.77	127.79	127.79	82.77	83.45
Slovenia	5.00	5.00	5.00	26.86	27.25
South Africa	4,400.40	5,954.02	4,722.97	6,500.84	7,472.77
South Korea	1,963.08	2,771.57	3,698.04	4,237.24	5,983.47
Sri Lanka	292.65	363.91	772.51	728.91	728.35
Syria	6.41	14.55	11.00	10.31	10.31
Tajikistan	599.41	728.96	909.09	1,167.03	1,616.09
Thailand	2,472.43	3,079.47	3,440.12	4,533.48	5,358.47
Timor-Leste	9.05	15.78	100.28	147.94	174.17
Turkey	642.31	881.81	1,328.84	1,061.38	1,301.35
Turkmenistan	253.23	447.60	133.04	249.08	342.72
Ukraine	51.98	63.41	68.90	66.71	62.65
United Arab Emirates	1,514.57	2,333.45	4,602.84	4,888.30	5,372.83
Uzbekistan	197.82	392.09	882.04	1,057.71	946.07
Vietnam	2,166.72	2,865.65	3,373.56	4,983.63	4,965.36
Yemen	549.11	555.07	453.30	39.21	612.55

Source: Emerging Markets Institute

Table A7: CGIT Estimates of Chinese Outward Equity Investment in BRI Countries by Sector, 2013-2017

Sector	2013	2014	2015	2016	2017	Chinese outward investment, 2013-2017 (US$ millions)	Share of total B&R investment, 2013-2017	Share of sectoral investment receipts globally, 2013-2017
Agriculture	2,220	2,290	640	2,120	280	7,550	3.7%	10.8%
Chemicals	1,260	620	0	0	0	1,880	0.9%	35.2%
Energy	24,690	13,640	22,540	12,770	9,610	83,250	41.3%	54.3%
Entertainment	0	500	0	5,160	1,050	6,710	3.3%	19.1%
Finance	200	2,150	2,730	2,560	770	8,410	4.2%	21.1%
Health	240	590	0	0	1,190	2,020	1.0%	20.4%
Logistics	300	800	290	190	10,090	11,670	5.8%	38.8%
Metals	4,300	7,180	6,880	1,720	470	20,550	10.2%	50.0%
Other	410	530	1,660	1,720	4,040	8,360	4.1%	34.0%
Real estate	4,100	3,380	5,980	3,270	2,770	19,500	9.7%	25.8%
Technology	110	1,600	3,560	250	1,440	6,960	3.5%	16.0%
Tourism	1,430	1,840	0	2,280	0	5,550	2.8%	14.1%
Transport	610	930	5,490	6,010	4,360	17,400	8.6%	23.2%
Utilities	100	800	730	140	0	1,770	0.9%	49.7%
Total	**39,970**	**36,850**	**50,500**	**38,190**	**36,070**	**201,580**	**100.0%**	**31.2%**
Share of global total	49.7%	35.7%	44.1%	22.4%	20.3%	31.2%		

Source: Scissors (2018a). All non-percentage figures in US$ millions.

investment in BRI countries, but almost half of China's overseas investment in utilities worldwide.

Table A8 shows the distribution of Chinese equity investment during the first five years of the BRI among the 63 BRI countries for which CGIT reported at least one investment. Based on these figures, Singapore appears to have received more Chinese equity investment than any other BRI country between 2013 and 2017; the great plurality of the city state's Chinese FDI receipts went into its logistics sector, while more than 10 percent of these receipts wound up in real estate. Malaysia ranked second, with its energy sector forming the plurality of its Chinese investment receipts and the transport and real estate sectors making up much of the difference in equal measure. Russia ranked a close third; the energy sector absorbed more than two-thirds of these receipts, while Russian agriculture accounted for more than 15 percent. Other significant BRI recipients of Chinese equity investment were Israel, Pakistan, Indonesia, South Korea, Kazakhstan, and India (in descending order).

According to CGIT's data, BRI countries received more than $200 billion worth of equity investment from China between 2013 and 2017. During this period, annual flows fluctuated between $35 and $40 billion, except in 2015, when they topped $50 billion.

As noted earlier, these figures consistently exceed those reported by MOFCOM for Chinese outward FDI by a factor of two or three. The authors believe that this is mainly due to the fact that CGIT tracks investment announcements, whereas MOFCOM tracks disbursements. Other factors behind this disparity may be (1) that CGIT's figures cover almost twice as many countries as those produced by MOFCOM do; (2) that CGIT not only tracks FDI, but also discrete portfolio investments by corporate actors that account for less than 10 percent of a firm's equity and thus do not meet the threshold for inclusion in FDI statistics; and (3) that MOFCOM, unlike CGIT, treats Hong Kong as an external customs port, and thus does not track funds invested by Mainland financial institutions through intermediaries in Hong Kong to their final destinations (Scissors 2018b, 2018c).

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Table A8: CGIT Estimates of Chinese Outward Equity Investment in BRI Countries, 2013-2017

Country	2013	2014	2015	2016	2017	2013-2017	Share of total B&R investment receipts, 2013-2017
Angola	2,120	120	0	0	0	2,240	1.1%
Antigua and Barbuda	0	740	0	0	0	740	0.4%
Austria	0	0	0	0	230	230	0.1%
Bangladesh	0	0	750	780	110	1,640	0.8%
Belarus	0	0	140	0	0	140	0.1%
Brunei	0	3,440	0	0	0	3,440	1.7%
Cambodia	410	0	0	480	0	890	0.4%
Chad	0	0	0	110	0	110	0.1%
Chile	0	0	0	210	0	210	0.1%
Congo	1,150	150	410	0	0	1,710	0.8%
Czech Republic	0	0	200	1,330	0	1,530	0.8%
Ecuador	0	2,040	0	0	0	2,040	1.0%
Egypt	3,600	0	190	0	0	3,790	1.9%
Ethiopia	0	300	0	350	0	650	0.3%
Ghana	0	110	450	0	0	560	0.3%
Greece	300	0	0	1,330	2,310	3,940	2.0%
Guinea	0	3,460	0	1,100	0	4,560	2.3%
Hungary	0	0	0	0	210	210	0.1%
India	0	600	2,420	910	2,920	6,850	3.4%
Indonesia	420	2,520	3,760	450	1,510	8,660	4.3%
Iran	0	350	0	600	730	1,680	0.8%
Iraq	1,250	0	0	0	0	1,250	0.6%
Israel	240	1,560	2,090	5,950	170	10,010	5.0%
Jordan	0	0	350	950	0	1,300	0.6%
Kazakhstan	5,300	1,620	470	180	110	7,680	3.8%
Kenya	0	0	120	240	310	670	0.3%
Kyrgyzstan	0	710	150	0	0	860	0.4%
Laos	180	130	100	1,360	3,070	4,840	2.4%
Malaysia	3,200	580	7,370	4,340	930	16,420	8.1%
Maldives	0	0	0	0	110	110	0.1%
Malta	0	440	0	0	0	440	0.2%
Mongolia	0	0	2,450	100	0	2,550	1.3%
Mozambique	4,710	0	0	0	0	4,710	2.3%
Myanmar	100	0	0	2,100	0	2,200	1.1%
Namibia	0	2,110	270	0	0	2,380	1.2%
Nepal	0	0	250	0	1,200	1,450	0.7%
New Zealand	180	1,110	200	180	450	2,120	1.1%
Oman	0	0	0	370	0	370	0.2%
Pakistan	1,650	640	4,400	580	1,680	8,950	4.4%
Panama	0	0	0	900	0	900	0.4%
Papua New Guinea	0	0	300	0	0	300	0.1%
Poland	0	0	340	140	110	590	0.3%
Portugal	100	2,420	590	180	570	3,860	1.9%
Russian Federation	6,250	3,530	3,600	2,230	500	16,110	8.0%
Rwanda	0	0	120	0	0	120	0.1%
Serbia	0	1,200	0	120	260	1,580	0.8%
Sierra Leone	1,700	0	770	0	0	2,470	1.2%
Singapore	1,370	790	4,470	3,590	13,220	23,440	11.6%

Source: Scissors (2018a). All non-percentage figures in US$ millions.

Table A8: CGIT Estimates of Chinese Outward Equity Investment in BRI Countries, 2013-2017 (continued)

Country	2013	2014	2015	2016	2017	2013-2017	Share of total B&R investment receipts, 2013-2017
Slovenia	0	0	0	0	1,050	1,050	0.5%
South Africa	110	230	490	1,290	0	2,120	1.1%
South Korea	1,110	1,600	4,660	680	570	8,620	4.3%
Sri Lanka	260	390	0	1,430	0	2,080	1.0%
Tanzania	0	0	2,700	0	0	2,700	1.3%
Thailand	0	880	160	0	230	1,270	0.6%
Turkey	0	320	1,300	210	0	1,830	0.9%
Turkmenistan	0	600	0	0	0	600	0.3%
UAE	450	0	0	1,360	2,960	4,770	2.4%
Uganda	2,180	920	0	0	0	3,100	1.5%
Ukraine	0	0	0	180	0	180	0.1%
Uzbekistan	0	0	0	0	300	300	0.1%
Venezuela	1,400	0	0	1,460	0	2,860	1.4%
Vietnam	230	210	3,260	420	250	4,370	2.2%
Zambia	0	0	500	0	0	500	0.2%
Zimbabwe	0	1,030	700	0	0	1,730	0.9%
Total	**39,970**	**36,850**	**50,500**	**38,190**	**36,070**	**201,580**	**100.0%**

Source: Scissors (2018a). All non-percentage figures in US$ millions.

Sources for Annex 2:

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Annex 3

Lending by China-based MDBs to BRI Countries

China-based multilateral development banks (MDBs) offer an important, though not the dominant, source of BRI debt financing.

As Figure A9 shows, the Asian Infrastructure Investment Bank (AIIB) has provided more than $7 billion of financing to projects in BRI countries. AIIB's investment in these projects is well leveraged as is the case with most MDBs: taken together, the total cost of projects financed by it in 12 BRI countries was more than $29.2 billion.

Around half of these projects are in the energy sector. India has absorbed by far the most AIIB financing of any country. Interestingly, transport projects have accounted for most AIIB financing in India—this despite India not being on a major BRI corridor.

The New Development Bank (NDB), informally also known as the "BRICS bank," is the second China-based MDB.

As Figure A10 shows, NDB has loaned more than $5.3 billion to its four BRI country members (China, India, Russia and South Africa). Though not as well leveraged as AIIB, NDB also works with co-financiers for all of its projects. NDB has likewise lent more to India than to any other BRI country, and again, most of this lending was for transport projects.

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Table A9: AIIB Financing by BRI Country and Sector (US$ millions)

	Energy	Multi-sector	Telecomms	Transport	Water	Other	Total country financing
Azerbaijan	600 (8,600)	-	-	-	-	-	600 (8,600)
Bangladesh	285 (986)	-	-	-	-	-	285 (986)
China	250 (761)	-	-	-	-	-	250 (761)
Egypt	210 (825)	-	-	-	300 (694)	-	510 (1,519)
Emerging Asia	-	150 (640)	-	-	-	-	150 (640)
Georgia	-	-	-	114 (315)	-	-	114 (315)
India	260 (874)	250 (1,350)	-	1,259 (4,453)	400 (570)	-	2,169 (7,247)
Indonesia	-	690 (2,766)	-	-	250 (578)	-	940 (3,344)
Oman	-	-	239 (467)	265 (353)	-	-	504 (820)
Pakistan	300 (824)	-	-	100 (273)	-	-	400 (1,097)
Philippines	-	-	-	-	208 (500)	-	208 (500)
Tajikistan	60 (350)	-	-	28 (106)	-	-	88 (456)
Turkey	600 (2,735)	-	-	-	-	200 (200)	800 (2,935)
Total sectoral financing	**2,585 (15,955)**	**1,090 (4,756)**	**239 (467)**	**1,766 (5,500)**	**1,158 (2,342)**	**200 (200)**	**7,037 (29,220)**

Source: AIIB. Parenthetical values report total project costs, and non-parenthetical values report AIIB's approvals. Note that AIIB's $20 million contribution to an energy project in Myanmar whose total cost is unknown is included in the non-parenthetical sums in the bottom row.

Table A10: New Development Bank Financing by BRI Country and Sector (US$ millions)

	Energy	Social Infrastructure	Sustainable Development	Transport	Urban Infrastructure	Water	Total country financing
China	379 (855)	-	500 (748)	-	300 (569)	-	1,179 (2,171)
India	250 (500)	-	-	1,225 (1,750)	-	815 (1,165)	2,290 (3,415)
Russia	100 (162)	460 (601)	300 (9,424)	69 (609)	220 (275)	320 (400)	1,469 (11,471)
South Africa	180 (225)	-	-	200 (643)	-	-	380 (868)
Total sectoral financing	**909 (1,742)**	**460 (601)**	**800 (10,172)**	**1,494 (3,002)**	**520 (844)**	**1,135 (1,565)**	**5,318 (17,925)**

Source: NDB. Parenthetical values report total project costs, and non-parenthetical values report AIIB's approvals.

Annex 4

Independent Sources on Chinese Official Lending to BRI Countries

Overseas lending by Chinese state banks forms the backbone of the BRI. However, the Chinese government does not publicly report how much its lending entities have loaned to foreign borrowers. Academic and private sector sources outside China have sought to fill this void (with varying degrees of success) by compiling their own databases of projects outside of China that received funding from Chinese official lenders.

The preeminent open-source database of such projects is maintained by AidData, a research center based at the College of William and Mary. AidData's public database contains currently does not have any observations after year 2014. We understand that data for the years 2015 through 2017 may be released in the latter half of 2019.

Table A11 below shows the value of Chinese official lending[28] (COL) to the current 126 BRI countries by sector during the first two years of the BRI, according to AidData's figures. According to these data, BRI countries received $66.7 billion of COL in 2013-14, or 93.2 percent of COL worldwide.[29] BRI's two leading infrastructure sectors—transport and storage on the one hand; energy generation and supply on the other—absorbed more than 80 percent of COL to these BRI countries during the 2013-14 period. In fact, COL to these BRI countries' transport and energy sectors comprised almost three-quarters of all COL worldwide in 2013-14.

Table A12 shows COL receipts by BRI country and by sector during the first two years of the BRI. According to AidData's figures, 53 of 126 BRI countries absorbed COL

28. AidData reports loans and export credits separately. In this annex, loans and export credits as reported by AidData have been combined and are referred to collectively as lending.

29. In October 2018, the official Belt and Road Portal listed only 85 BRI countries. Chinese official lending to these BRI countries during 2013-14 was $45.6 billion, accounting for 63.7 percent of COL worldwide. In other words, the newly added 41 BRI countries received $21.1 billion in COL during 2013-14.

Table A11: Chinese Official Lending to BRI Countries by Sector, 2013-2014

Sector	2013	2014	2013-2014	Share of COL to BRI countries, 2013-2014	Share of sectoral COL worldwide, 2013-2014	ODA as a share of sectoral COL to BRI countries, 2013-2014
Agriculture, Forestry and Fishing	344	12	356	0.5%	100.0%	53.6%
Banking and Financial Services	49	20	69	0.1%	100.0%	0.0%
Business and Other Services	3,100	100	3,200	4.8%	100.0%	0.0%
Communications	746	547	1,293	1.9%	89.0%	72.8%
Education	109	0	109	0.2%	100.0%	6.3%
Energy Generation and Supply	11,966	15,754	27,720	41.5%	97.5%	6.8%
General Budget Support	1,400	0	1,400	2.1%	100.0%	0.0%
Government and Civil Society	154	0	154	0.2%	83.0%	13.6%
Health	168	231	399	0.6%	97.0%	30.6%
Industry, Mining, Construction	759	1,253	2,012	3.0%	100.0%	31.0%
Other Multisector	1,546	562	2,108	3.2%	61.6%	53.2%
Trade and Tourism	945	32	977	1.5%	100.0%	92.8%
Transport and Storage	10,350	15,409	25,759	38.6%	91.1%	27.1%
Unallocated / Unspecified	77	32	109	0.2%	55.2%	54.2%
Water Supply and Sanitation	935	121	1,056	1.6%	96.2%	52.0%
Total	**32,648**	**34,073**	**66,721**	**100.0%**	**93.2%**	**20.1%**

Source: AidData. All non-percentage figures in US$ millions.

in 2013 or 2014; of these, Pakistan received the most by a factor of three. Pakistan's COL receipts were split approximately 2-to-1 between energy and transport. Other major recipients of COL for energy projects included (in descending order) Venezuela, South Africa, Angola, Ecuador, Cambodia, and Indonesia. In the transport sector, other major recipients included Ethiopia, Kenya, Iran, and Sri Lanka.

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Table A12: Chinese Official Lending to BRI Countries by Country and Sector, 2013-2014

Country: Sector	2013	2014	2013-2014	Share of COL to BRI countries, 2013-2014	ODA as a share of country-sectoral COL to BRI countries, 2013-2014
Africa, regional: Water Supply and Sanitation	322	0	322	0.5%	100.0%
Africa, regional: Total	322	0	322	0.5%	100.0%
Angola: Energy Generation and Supply	1,320	2,055	3,375	5.1%	1.6%
Angola: Total	1,320	2,055	3,375	5.1%	1.6%
Bangladesh: Energy Generation and Supply	0	224	224	0.3%	0.0%
Bangladesh: Government and Civil Society	133	0	133	0.2%	0.0%
Bangladesh: Industry, Mining, Construction	0	87	87	0.1%	100.0%
Bangladesh: Transport and Storage	240	0	240	0.4%	0.0%
Bangladesh: Water Supply and Sanitation	291	0	291	0.4%	78.0%
Bangladesh: Total	664	311	975	1.5%	32.2%
Belarus: Business and Other Services	3,000	0	3,000	4.5%	0.0%
Belarus: Energy Generation and Supply	324	0	324	0.5%	0.0%
Belarus: Transport and Storage	76	53	129	0.2%	59.2%
Belarus: Total	3,400	53	3,453	5.2%	2.2%
Bolivia: Industry, Mining, Construction	0	344	344	0.5%	0.0%
Bolivia: Transport and Storage	0	492	492	0.7%	100.0%
Bolivia: Total	0	836	836	1.3%	58.8%
Bosnia-Herzegovina: Energy Generation and Supply	0	886	886	1.3%	0.0%
Bosnia-Herzegovina: Total	0	886	886	1.3%	0.0%
Burundi: Communications	0	15	15	0.0%	100.0%
Burundi: Total	0	15	15	0.0%	100.0%
Cambodia: Agriculture, Forestry and Fishing	244	0	244	0.4%	78.2%
Cambodia: Energy Generation and Supply	1,670	8	1,678	2.5%	0.5%
Cambodia: Transport and Storage	340	156	496	0.7%	27.0%
Cambodia: Total	2,254	164	2,418	3.6%	13.8%
Cameroon: Communications	0	81	81	0.1%	0.0%
Cameroon: Other Multisector	406	0	406	0.6%	0.0%
Cameroon: Transport and Storage	0	386	386	0.6%	100.0%
Cameroon: Unallocated / Unspecified	27	0	27	0.0%	100.0%
Cameroon: Total	433	467	900	1.3%	45.9%
Congo, Rep.: Industry, Mining, Construction	161	0	161	0.2%	100.0%
Congo, Rep.: Total	161	0	161	0.2%	100.0%
Costa Rica: Transport and Storage	791	0	791	1.2%	49.9%
Costa Rica: Total	791	0	791	1.2%	49.9%
Cote D'Ivoire: Trade and Tourism	875	0	875	1.3%	100.0%
Cote D'Ivoire: Transport and Storage	0	210	210	0.3%	0.0%
Cote D'Ivoire: Water Supply and Sanitation	0	91	91	0.1%	0.0%
Cote D'Ivoire: Total	875	301	1,176	1.8%	74.4%

Source: AidData. All non-percentage figures in US$ millions.

Table A12: Chinese Official Lending to BRI Countries by Country and Sector, 2013-2014 (continued)

Country: Sector	2013	2014	2013-2014	Share of COL to BRI countries, 2013-2014	ODA as a share of country-sectoral COL to BRI countries, 2013-2014
Djibouti: Transport and Storage	560	0	560	0.8%	0.0%
Djibouti: Total	560	0	560	0.8%	0.0%
Dominica: Education	7	0	7	0.0%	100.0%
Dominica: Trade and Tourism	70	0	70	0.1%	0.0%
Dominica: Total	77	0	77	0.1%	8.9%
Ecuador: Energy Generation and Supply	0	1,700	1,700	2.5%	0.0%
Ecuador: Industry, Mining, Construction	0	218	218	0.3%	0.0%
Ecuador: Total	1,400	1,918	3,318	5.0%	0.0%
Ethiopia: Health	18	0	18	0.0%	100.0%
Ethiopia: Other Multisector	18	0	18	0.0%	0.0%
Ethiopia: Transport and Storage	3,743	288	4,031	6.0%	10.0%
Ethiopia: Total	3,780	288	4,068	6.1%	10.3%
Gabon: Education	102	0	102	0.2%	0.0%
Gabon: Transport and Storage	131	0	131	0.2%	100.0%
Gabon: Total	233	0	233	0.3%	56.3%
Ghana: Communications	129	0	129	0.2%	100.0%
Ghana: Transport and Storage	314	0	314	0.5%	0.0%
Ghana: Total	443	0	443	0.7%	29.1%
Indonesia: Energy Generation and Supply	930	614	1,544	2.3%	24.2%
Indonesia: Transport and Storage	0	863	863	1.3%	10.7%
Indonesia: Total	930	1,477	2,407	3.6%	19.3%
Iran: Transport and Storage	0	2,143	2,143	3.2%	0.0%
Iran: Total	0	2,143	2,143	3.2%	0.0%
Kenya: Energy Generation and Supply	175	0	175	0.3%	54.4%
Kenya: Transport and Storage	0	3,233	3,233	4.8%	0.0%
Kenya: Total	175	3,233	3,408	5.1%	2.8%
Kyrgyz Republic: Energy Generation and Supply	386	0	386	0.6%	100.0%
Kyrgyz Republic: Transport and Storage	698	0	698	1.0%	100.0%
Kyrgyz Republic: Total	1,084	0	1,084	1.6%	100.0%
Laos: Industry, Mining, Construction	0	82	82	0.1%	100.0%
Laos: Water Supply and Sanitation	92	0	92	0.1%	0.0%
Laos: Total	92	82	174	0.3%	47.1%
Macedonia, FYR: Transport and Storage	580	0	580	0.9%	100.0%
Macedonia, FYR: Total	580	0	580	0.9%	100.0%
Maldives: Other Multisector	0	57	57	0.1%	0.0%
Maldives: Total	0	57	57	0.1%	0.0%
Mauritania: Other Multisector	131	0	131	0.2%	100.0%
Mauritania: Total	131	0	131	0.2%	100.0%
Mongolia: Agriculture, Forestry and Fishing	0	12	12	0.0%	0.0%
Mongolia: Health	0	15	15	0.0%	100.0%
Mongolia: Industry, Mining, Construction	0	432	432	0.6%	62.5%
Mongolia: Total	0	459	459	0.7%	62.1%
Montenegro: Transport and Storage	0	911	911	1.4%	100.0%
Montenegro: Total	0	911	911	1.4%	100.0%

Source: AidData. All non-percentage figures in US$ millions.

Table A12: Chinese Official Lending to BRI Countries by Country and Sector, 2013-2014 (continued)

Country: Sector	2013	2014	2013-2014	Share of COL to BRI countries, 2013-2014	ODA as a share of country-sectoral COL to BRI countries, 2013-2014
Morocco: Business and Other Services	0	100	100	0.1%	0.0%
Morocco: Energy Generation and Supply	300	300	600	0.9%	0.0%
Morocco: Total	300	400	700	1.0%	0.0%
Mozambique: Communications	0	133	133	0.2%	100.0%
Mozambique: Industry, Mining, Construction	23	0	23	0.0%	100.0%
Mozambique: Transport and Storage	417	120	537	0.8%	77.6%
Mozambique: Total	440	253	693	1.0%	82.7%
Myanmar: Agriculture, Forestry and Fishing	100	0	100	0.1%	0.0%
Myanmar: Industry, Mining, Construction	92	0	92	0.1%	0.0%
Myanmar: Total	192	0	192	0.3%	0.0%
Nepal: Transport and Storage	35	216	251	0.4%	86.0%
Nepal: Total	35	216	251	0.4%	86.0%
Nigeria: Business and Other Services	100	0	100	0.1%	0.0%
Nigeria: Other Multisector	975	0	975	1.5%	100.0%
Nigeria: Total	1,075	0	1,075	1.6%	90.7%
Pakistan: Communications	44	0	44	0.1%	100.0%
Pakistan: Energy Generation and Supply	448	8,032	8,480	12.7%	5.1%
Pakistan: Transport and Storage	0	3,943	3,943	5.9%	0.0%
Pakistan: Total	492	11,975	12,467	18.7%	3.8%
Russia: Other Multisector	0	505	505	0.8%	0.0%
Russia: Total	0	505	505	0.8%	0.0%
Samoa: Trade and Tourism	0	32	32	0.0%	100.0%
Samoa: Total	0	32	32	0.0%	100.0%
Serbia: Energy Generation and Supply	0	608	608	0.9%	0.0%
Serbia: Total	0	608	608	0.9%	0.0%
South Africa: Energy Generation and Supply	2,200	0	2,200	3.3%	0.0%
South Africa: Total	2,200	0	2,200	3.3%	0.0%
South Sudan: Energy Generation and Supply	27	0	27	0.0%	0.0%
South Sudan: Industry, Mining, Construction	43	0	43	0.1%	0.0%
South Sudan: Transport and Storage	22	0	22	0.0%	0.0%
South Sudan: Total	92	0	92	0.1%	0.0%
Sri Lanka: Banking and Financial Services	49	0	49	0.1%	0.0%
Sri Lanka: Transport and Storage	725	1,278	2,003	3.0%	31.8%
Sri Lanka: Water Supply and Sanitation	230	0	230	0.3%	0.0%
Sri Lanka: Total	1,004	1,278	2,282	3.4%	27.9%
Sudan: Transport and Storage	0	700	700	1.0%	100.0%
Sudan: Total	0	700	700	1.0%	100.0%

Source: AidData. All non-percentage figures in US$ millions.

Table A12: Chinese Official Lending to BRI Countries by Country and Sector, 2013-2014 (continued)

Country: Sector	2013	2014	2013-2014	Share of COL to BRI countries, 2013-2014	ODA as a share of country-sectoral COL to BRI countries, 2013-2014
Suriname: Unallocated / Unspecified	50	0	50	0.1%	0.0%
Suriname: Total	50	0	50	0.1%	0.0%
Tajikistan: Banking and Financial Services	0	20	20	0.0%	0.0%
Tajikistan: Energy Generation and Supply	0	349	349	0.5%	0.0%
Tajikistan: Government and Civil Society	21	0	21	0.0%	100.0%
Tajikistan: Industry, Mining, Construction	140	0	140	0.2%	0.0%
Tajikistan: Transport and Storage	0	57	57	0.1%	0.0%
Tajikistan: Total	161	426	587	0.9%	3.6%
Tanzania: Communications	403	0	403	0.6%	100.0%
Tanzania: Energy Generation and Supply	0	136	136	0.2%	0.0%
Tanzania: Transport and Storage	277	0	277	0.4%	0.0%
Tanzania: Unallocated / Unspecified	0	16	16	0.0%	100.0%
Tanzania: Total	680	152	832	1.2%	50.3%
Trinidad & Tobago: Health	150	0	150	0.2%	0.0%
Trinidad & Tobago: Total	150	0	150	0.2%	0.0%
Uganda: Energy Generation and Supply	0	483	483	0.7%	100.0%
Uganda: Total	0	483	483	0.7%	100.0%
Uruguay: Water Supply and Sanitation	0	30	30	0.0%	0.0%
Uruguay: Total	0	30	30	0.0%	0.0%
Uzbekistan: Communications	0	100	100	0.1%	0.0%
Uzbekistan: Energy Generation and Supply	166	0	166	0.2%	0.0%
Uzbekistan: Industry, Mining, Construction	300	90	390	0.6%	0.0%
Uzbekistan: Transport and Storage	700	0	700	1.0%	50.0%
Uzbekistan: Total	1,166	190	1,355	2.0%	25.8%
Venezuela: Communications	170	0	170	0.3%	0.0%
Venezuela: Energy Generation and Supply	4,020	0	4,020	6.0%	0.0%
Venezuela: Health	0	127	127	0.2%	0.0%
Venezuela: Transport and Storage	391	0	391	0.6%	0.0%
Venezuela: Total	4,581	127	4,708	7.1%	0.0%
Yemen: Unallocated / Unspecified	0	16	16	0.0%	100.0%
Yemen: Total	0	16	16	0.0%	100.0%
Zambia: Energy Generation and Supply	0	41	41	0.1%	100.0%
Zambia: Transport and Storage	300	360	660	1.0%	54.5%
Zambia: Total	300	401	701	1.1%	57.2%
Zimbabwe: Communications	0	218	218	0.3%	100.0%
Zimbabwe: Energy Generation and Supply	0	319	319	0.5%	0.0%
Zimbabwe: Health	0	89	89	0.1%	100.0%
Zimbabwe: Other Multisector	16	0	16	0.0%	100.0%
Zimbabwe: Transport and Storage	10	0	10	0.0%	100.0%
Zimbabwe: Total	26	626	652	1.0%	51.0%
BRI Grand Total	**32,648**	**34,073**	**66,721**	**100.0%**	**20.1%**

Source: AidData. All non-percentage figures in US$ millions.

Annex 5

Annual Commitments/Approvals by International Financial Institutions (IFIs) (US$ millions)

	2013	2014	2015	2016	2017	2013-17		Source
IBRD	18,604	23,528	29,729	22,611	23,002	117,474	Fiscal Year	WB Annual Report 2018
IDA	22,239	18,966	16,171	19,513	24,010	100,899	Fiscal Year	WB Annual Report 2018
IFC	9,044	7,976	7,549	10,350	9,097	44,016	Fiscal Year	https://financesapp.world-bank.org/en/
AsDB	20,991	22,925	26,904	25,472	32,222	128,514		AsDB Annual Reports
AfDB	6,753	7,315	8,777	10,802	8,822	42,469		AfdB Annual Report 2017
IaDB	13,541	12,952	10,686	11,050	13,003	61,232		IaDB Annual Report 2017
EBRD	11,302	11,774	10,410	10,423	10,927	54,836		EBRD Annual Review 2017
AIIB				1,690	2,630	4,320		AIIB Annual Report 2017
NDB				1,568	1,851	3,419		NDB Annual Report 2017
JICA	13,165	12,400	21,174	16,574	19,598	82,911	Fiscal Year	JICA Annual Report 2018
JBIC	22,742	30,943	19,810	20,731	10,652	104,878	Fiscal Year	JBIC Annual Report 2017

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The figures in this annex were complied by Ieva Vilke-lyte, Associate of the Emerging Markets Forum.

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