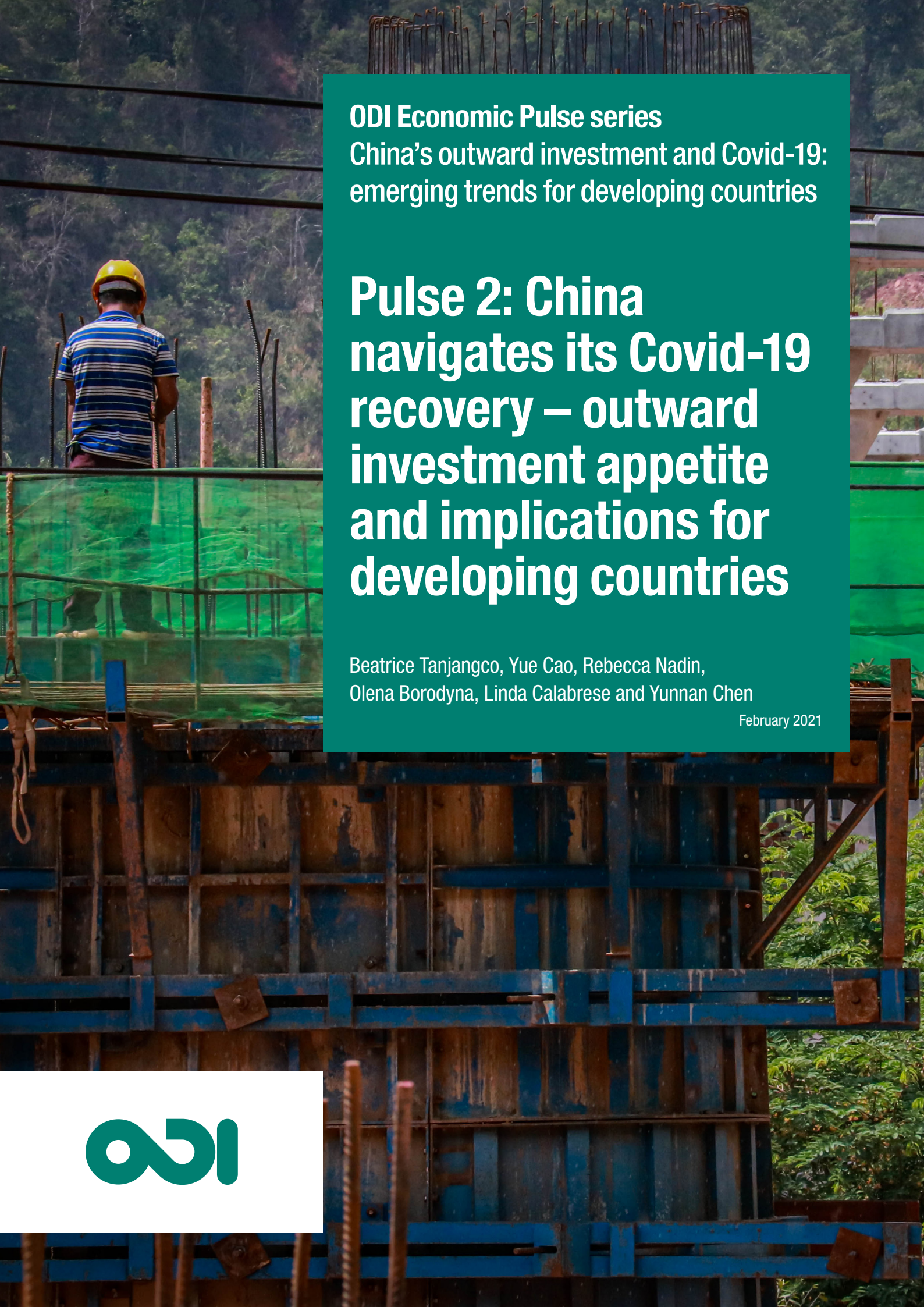


ODI Economic Pulse series

China's outward investment and Covid-19: emerging trends for developing countries

Pulse 2: China navigates its Covid-19 recovery – outward investment appetite and implications for developing countries

Beatrice Tanjangco, Yue Cao, Rebecca Nadin, Olena Borodyna, Linda Calabrese and Yunnan Chen

February 2021

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This report has been funded by the UK Foreign, Commonwealth and Development Office (FCDO). Views expressed do not necessarily reflect FCDO's official policies.

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Acronyms and abbreviations

AEI	American Enterprise Institute
AI	artificial intelligence
APEC	Asia–Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
BU	Boston University
CARI	China Africa Research Initiative
CCCC	China Communications Constructions Company
CCECC	China Civil Engineering Construction Corporation
CDB	China Development Bank
CGM	Compagnie Générale Maritime
CIIE	China International Import Expo
CMA	Compagnie Maritime d'Affrètement
CPI	consumer price index
CRBC	China Road and Bridge Corporation
DSSI	Debt Service Suspension Initiative
EMENA	Europe, Middle East and North Africa
EPC	engineering, procurement and construction
EximBank	Export-Import Bank of China
FDI	foreign direct investment
FIRB	Foreign Investment Review Board
FTA	Free Trade Area
FYP	Five-Year Plan
GDP	gross domestic product
GFC	global financial crisis
ICT	information and communications technology
IEC	International Electrotechnical Commission
IMF	International Monetary Fund
ISO	International Organization for Standardization
ITU	International Telecommunication Union
LDCs	least-developed countries
M&A	mergers and acquisitions
MFN	Most-Favoured Nation

MoU	memorandum of understanding
NCRTC	National Capital Region Transport Corporation
NFODI	non-financial outward direct investment
OTN	Optical Transport Network
PMI	Purchasing Managers Index
R&D	research and development
RCEP	Regional Comprehensive Economic Partnership
RERI	Renewables and Environmental Regulatory Institute
RMB	Renminbi (Chinese yuan)
SCO	Shanghai Cooperation Organization
SDRM	Sovereign Debt Restructuring Mechanism
SOE	state-owned enterprise
UEGCL	Uganda Electricity Generation Company
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USD	United States Dollar
WEO	World Economic Outlook
WITS	World Integrated Trade Solution
WTO	World Trade Organization

Acknowledgements

This document was prepared by Beatrice Tanjangco, Yue Cao, Rebecca Nadin, Olena Borodyna, Linda Calabrese and Yunnan Chen. Production of this report was supported by project management and communications help provided by Silvia Harvey and Josie Emanuel. The authors are grateful for the research assistance of Roberta Palminteri.

Executive summary

- Experience during the global financial crisis, when China propped up global growth, suggests that its economic recovery bodes well for a global recovery from the effects of the Covid-19 pandemic. Although this recession differs from the last and China's recovery was structurally uneven at the outset, developing economies can rely on continued support from slowly returning import growth and policy signals to support flagship Belt and Road Initiative (BRI) projects. An improving economy relieves the pressure for additional fiscal and monetary stimuli, and China is expected to manage its ongoing recovery while prioritising the containment of financial risks.
- Since the first Pulse report (Tanjangco et al., 2020), new data has been recorded for October and November. Non-financial outward direct investment (NFODI) and related indicators remain subdued and point to a reduced appetite for overseas investment. In contrast, and as before, NFODI to BRI countries has remained buoyant, though exports and imports to the 63 original BRI countries (see Table A1 in Annex 1) are less resilient than approved investments. Exports and imports to Southeast and East Asian BRI members have been quicker to recover than exports to South and Central Asia and the Middle East.
- At the project level, and focusing on the 136 current BRI countries, most Chinese investments and engineering services have been concentrated in Association of Southeast Asian Nations (ASEAN) countries and sub-Saharan Africa. The largest transactions have been in the energy sector for Latin America, the Caribbean and sub-Saharan Africa; in the transport sector for the Middle East and North Africa and Southeast and East Asia; and in mining for Europe. Most projects Chinese companies have been involved in (either through investing or providing services) have been small (under $100 million). In 2020 megaprojects fell to their lowest level year-to-date since the inception of the BRI, with very few investments exceeding $1 billion.
- New data released by Boston University's (BU) China's Overseas Development Finance Database shows a deceleration of global overseas lending by China Development Bank (CDB) and the Export-Import Bank of China (EximBank) in 2019. Even so, Chinese companies are still developing, building, managing and acquiring projects overseas, and may be receiving funding from commercial sources beyond the two traditional policy bank lenders. The slowdown in overseas lending could also be due to a gradual shift in funding modalities towards more balance sheet and project financing. It is likely that a recalibration of the BRI is underway, rather than any dismantling of more than 20 years of China's 'Going Out' strategy.
- At the policy level, as anticipated in Pulse 1 (Tanjangco et al., 2020), China will prioritise dual circulation and developing a strong domestic market through supply-side reforms. Measures to promote international and domestic dual cycles will include coordinating the development of foreign capital and foreign investment, optimising the domestic and international market layout, commodity structure and trade methods, and increasing imports of high-quality products. Efforts to strengthen the domestic market will include building technological self-reliance and upgrading industrial supply chains. As discussed in Pulse 1 (ibid.), new growth sectors include the digital economy, green energy and agriculture.
- China's leaders have used regional forums to reaffirm that their country will not retreat from the world, a stance supported by the

signing, in November 2020, of the Regional Comprehensive Economic Partnership treaty (RCEP), China's first multilateral trade deal. Under the RCEP, simplified rules of origin and provisions for services and investments should boost trade and investment for member countries. However, this may come at the expense of countries excluded from the treaty in terms of trade and investment diversion effects. Developing economies are not expected to gain the lion's share of benefits from the treaty, though they can benefit from the momentum it creates towards increased trade liberalisation.

- In terms of debt negotiations, lessons can be learned from Zambia's debt default. The default was triggered by private bondholders' refusal of the government's request to suspend a $42.5 million interest payment due in November 2020. The episode has been used to support criticism that Chinese lending and lack of transparency are contributing to debt unsustainability among low-income countries. However, going forward, alongside the difficulty ensuring transparent participation from China in international initiatives on debt, there are obstacles to finding agreement with the private sector.

The Economic Pulse series

ODI's Economic Pulse series collects and analyses information on Chinese economic activity relevant to developing countries, identifying emerging policy signals and trade and investment trends of relevance to the socioeconomic development planning of low- and middle-income countries. This analysis is set against the backdrop of the global Covid-19 pandemic. While China is starting to see signs of a recovery, the relatively weak external environment and potential resurgence of the virus will continue to shape how it acts, both domestically and internationally.

Data on China's economic and investment activities abroad is often difficult to obtain and lacking in availability, transparency, comparability and accessibility, making it difficult to get a clear picture of Chinese overseas activity. The Economic Pulse reports aim to address this gap by taking a multifaceted approach, looking at macroeconomic indicators, project-level trends and policy announcements to paint a more cohesive picture of outward activity. The first report, *Pulse 1: Covid-19 and economic crisis – China's recovery and international response*, was released on 27 November 2020 (Tanjangco et al., 2020). Subsequent reports are slated for release in six-week intervals until March 2021.

When we discuss China's international economic response, we refer to economic activities taking place outside of China. This includes outward direct investment, labour dispatched abroad, credit to other countries, foreign aid, exports and imports to and from other countries and cases of debt relief. While our interpretation of overseas development focuses on relevance to low- and middle-income countries, we also provide information on high-income economies, where appropriate, for comparative purposes and to highlight trends. This analysis would not be complete without a thorough understanding of the domestic situation in China. As China responds to Covid-19 trade, investment and fiscal repercussions, internal political and economic priorities, both existing and nascent, will shape its engagement in developing economies.

With the information we have gathered, we aim to give partners in developing countries an idea of China's current activity, as well as notice of future trends they can factor into their development strategies. The Economic Pulse series will, therefore, provide developing country partners with a comprehensive evidence base from which to inform their strategic thinking on development needs in terms of Chinese aid, trade and investment.

1 Introduction

This report is the second in a series of three exploring emerging trends and themes relevant to Chinese overseas economic activity, particularly for developing countries. The first paper, Pulse 1, covered developments from January–October 2020 (Tanjangco et al., 2020). This report, Pulse 2, covers developments from the end of October to mid-December 2020. Because of the lag in datapoint releases, macroeconomic and project-level data will be up to November 2020.

Pulse 1 looked at the pre-pandemic baseline, the severe repercussions of the pandemic, the immediate government response and the sudden shift in China's political and economic priorities, and how this impacted investment activity abroad. At that stage China was on the cusp of a slow recovery, and there were signs that the country's overseas investment appetite was returning. After contracting by 6.8% in the first quarter, the economy grew by 3.2% and 4.9% in the second and third quarters. Growth returned in proxy indicators such as industrial input and new engineering contracts. Manufacturing and trade were also picking up. Project-level data showed outward investment shifted towards African and Asian countries, consistent with Beijing's efforts to court partnerships with low- and middle-income countries. There was also a steady dominance of the energy, transportation, and water utility sectors.

At the policy level, China sought to strengthen ties and pursue high-quality initiatives with its neighbours and BRI partners. President Xi Jinping engaged the most with Asian heads of state, visited Myanmar and Nepal and accepted visits from Mongolia and Pakistan. These bilateral engagements focused on health security and vaccine cooperation, as well as emphasising the benefits of deeper economic and security ties and advancing regional economic corridors. China is also involved in debt negotiations as many countries' public finances come under pressure.

Pulse 2 explores China's international economic response as the world adapts to Covid-19. The report analyses China's international engagements, especially in developing countries, against the backdrop of its own recovery and a still difficult external trade environment. China will have to navigate its role in the new Covid-19 normal while balancing both growth and financial stability in its own recovery. It will also be balancing its domestic and international agendas as it pursues the 'dual-circulation' strategy. To caveat, some sections of our review of China's overseas economic activity will only provide an aggregate overview due to the nature of the macroeconomic data, but project-level data and a policy review allow us to examine in greater detail how this activity affects developing countries. As noted, macroeconomic and project-level data covers the period January–November 2020.

Chapter 2 begins by outlining China's domestic economic recovery and what it means for developing economies. Chapter 3 discusses China's international response, beginning with macroeconomic indicators to gauge China's outward investment appetite and a deeper dive into trade flows to 63 BRI economies.[1] This is followed by a discussion of project-level announcements for a more nuanced analysis of investment trends. The next part of this chapter, on policy updates, provides a backdrop for Chinese political and economic priorities, followed by a focus on debt negotiations, which will provide updates on China's role as a creditor to debt-distressed economies. The report also includes a chapter on the RCEP and its implications (Chapter 4). The final chapter outlines key emerging topics and trends to watch.

1 After the BRI was launched in 2013, early texts and policy documents referred to 65 Belt and Road countries, predominantly in Asia, Europe and the Middle East and North Africa, and including China. These countries have since been considered as the original 65 BRI countries and are likely to have a special strategic status to Beijing. We consider 63 countries in this report, excluding China and India, which later refused to join the BRI.

2 China's recovery and its implications for developing countries

This chapter provides an in-depth discussion of China's economic recovery since April 2020 and the country's role in the global rebound from Covid-19. It will provide updates on the domestic economy. The first Pulse noted that signs of recovery were starting to appear; this chapter discusses potential implications for developing economies and how the recovery is currently underway given the current fiscal, monetary and government policy stimulus imposed. After discussing the recovery that has started to emerge since April, we will provide updates on the domestic economy and policy response. Domestic economic developments inform how China chooses to engage with partner countries. As such, it is important for developing economies to keep abreast of these changes.

2.1 Status update: China's current recovery and implications for developing countries

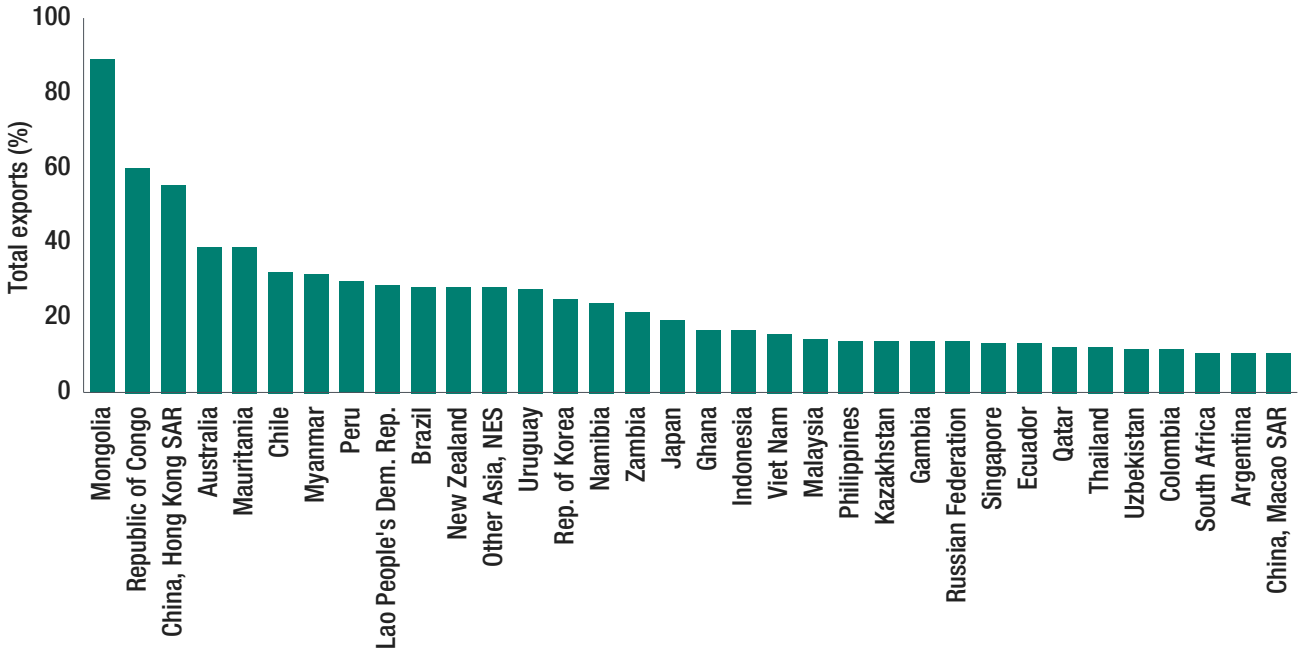
As economies open to the world and become increasingly interlinked, how China recovers from the pandemic will have repercussions for a large number of countries. In an interconnected world bound together through numerous channels (e.g. trade flows, commodity prices, financial markets), a shock to one economy can reverberate across multiple connected economies. China is one of the largest economies in the world and a significant trading partner for many countries, receiving more than 30% of exports from countries such as Mongolia, the Republic of Congo, Hong Kong, Australia, Mauritania, Chile and Peru (see Figure 1). How it manages its recovery will affect closely linked partner economies. Indeed, the most recent International Monetary Fund (IMF) World Economic Outlook (October 2020) sees world growth higher than 2019 levels in 2021, mostly due to China's contribution (IMF, 2020).

There is some precedent: China's recovery after the 2008–2009 global financial crisis (GFC) helped prop up growth around the world. Its early and strong rebound supported growth in Asia, mitigated the impact of the GFC and sustained demand for goods and services in other countries (Das, 2013). Its large stimulus package of RMB 4 trillion was largely credited with reviving domestic demand and contributing to the stability of the global economy. More directly, China increased its overseas investment after the crisis, boosting local economies (Duanyong, 2011; Di Meglio, 2012).

After this more recent crisis, China's recovery is on its way, although structurally still uneven. With growth of 4.9% in the third quarter of 2020, the recovery is looking likely to take on the best-case scenario V-shape, as opposed to the U, L or W shapes. Structurally, however, the recovery is uneven. In the second quarter, capital formation contributed five percentage points to growth, while consumption subtracted 2.3 percentage points from growth, indicating that the early recovery was more investment-led.[2]

2 We note in Pulse 1 that the pandemic has led policy-makers to pursue measures that counter the planned structural economic shift from investment-led growth to a more consumption-led growth path (Tanjangco et al., 2020).

Figure 1 Percentage of total exports destined for China, 2019



Notes: SAR, Special Administrative Region; NES, not elsewhere specified. Economies with more than 10% share were selected for the graph.
Source: Authors' calculations, data from UN (n.d.)

The third quarter saw household consumption improve but remain underwhelming, with consumption contributing 1.4 percentage points to growth and capital formation contributing 2.2 percentage points (NBS, n.d.).[3]

Household consumption will likely stay muted with compressed disposable income and uncertainty still besetting the economy. Households lack the freedom to transact and interact with the outside world, and additional government support will be necessary to stimulate private consumption. As growth tilts toward investment-led growth, for developing economies this also means that China's imports of consumer goods might be less prominent than imports of capital and intermediate goods.

This recovery might have less global impact than in 2008–2009. Compared to the GFC, the nature of this recession limits the ways China's recovery can support recoveries elsewhere. For example, the shock differs in that both supply and demand have frozen, given the mobility restrictions imposed to contain the virus. If China's economy can prop up countries through trade and investment, the impact will be a function of the partner country's ability to accept trade and investment. This might be difficult if some countries are still in lockdown and if persistent uncertainty dampens overall confidence. Outward investments from China also face stricter rules (UN, 2017) compared to 2008–2009, which could mean more limited support. Lastly, this recession is a lot deeper and might require more stimulus to prop up the rest of the world.

Regardless, developing economies can still rely on continued support from slowly returning import growth, policy signals to support flagship initiatives such as the BRI and other indirect channels. Merchandise import growth has been consistently positive since September (Table 1), a good sign for developing economies that rely on China as a final market. Moreover, as we note in Pulse 1 (Tanjangco et al., 2020), Chinese policy signals show support for projects along the BRI. Other impacts on developing economies will likely be felt indirectly, for instance through improving commodity prices or trade developments. Improving demand from China often positively affects commodity prices and

3 National Bureau of Statistics China data can be accessed here: https://data.stats.gov.cn/english/easyquery.htm?cn=B01.

this should benefit commodity exporters. Indeed, the initial strength in Chinese infrastructure development is a positive factor for commodity exporters. Recent tensions with Australia over iron ore imports have started to push up iron ore prices (Financial Times, 2021) and raised questions over China's alternative options. Some developing economies may be poised to benefit if China chooses to diversify its iron ore import sources. Coal is also becoming a contentious issue between the two trading partners, affecting coal prices.

2.2 Status: China's domestic economy

As China recovers, we expect to see it balance its policy mix to secure more sustainable growth and move away from a more public sector-driven to a private sector-driven recovery. At the moment, growth appears to be sustained by public support, with the private sector lagging. The government has highlighted the importance of private consumption, and recent policy announcements support consumers. For example, the State Council is looking to stimulate consumer spending on vehicles, appliances and furniture (Wei, 2020) and has urged other departments to find areas of consumer spending they can help stimulate. The government is also seeking to provide additional support for private firms, including opening up certain sectors to private businesses, increasing credit support and making it easier to do business (ibid.). This is in line with China's proposed dual circulation development model, discussed in the policy section.

China will likely keep the fiscal package as it is, but endeavour to provide more targeted support (Chen, 2020a). Coverage of the direct transfer system is expected to be expanded, taking advantage of the special transfer mechanism used in the Covid-19 recovery (Zhang, 2020). Transfers will be directed towards improved livelihood assistance, payment of wages for teachers and additional support for primary functions of government (ibid.). Premier Li Keqiang has noted the need to consolidate the recovery by focusing on more targeted policies and investments to support firms and individual businesses, with an overall trickle effect on people's livelihoods and well-being (Xinhua, 2020e).

The People's Bank of China is expected to keep monetary policy 'flexible and precise' to alleviate fears that reversion back to normal policy rates would lead to a tightening of financial conditions (Chen, 2020b). It will also allow interest rates to float near the lower bound (ibid.), supporting businesses and maintaining liquidity. Further stimulus is not expected with signs of a recovery under way and a supportive currency, giving the People's Bank of China leeway to keep monetary policy as is. This should allow the central bank to adapt to calls for high-quality development, while ensuring that the recovery is not jeopardised.

On the whole, economic indicators have been generally positive and confirm that a recovery is slowly under way. Imports grew by 5% in October and November, the third consecutive month of growth. Exports grew a staggering 21.1% in November, notably highlighting the disparity between the recovery in consumption and in industry (see Table 1). Exporters have also been able to capitalise on shipments of Covid-19 related products. The IHS Markit Purchasing Managers Index (PMI) score for October and November was 53.6 and 54.9 (Caixin, 2019), the latter featuring the quickest expansion since 2010. Manufacturers credit new orders and the impending recovery from the pandemic for improving conditions. This marks the seventh month of expansion for the manufacturing sector, signalling a robust recovery (Caixin, 2020). CPI declined by 0.5% on an annual basis in November, largely due to base effects. The fall was driven by a 2.4% drop in food prices (see Table 1) (Lu, 2020). In terms of household demand, while there are signs of improvement such as the surge in domestic tourism and consumption during Golden Week last October (Financial Times, 2020), which signals a release of some pent-up demand, household consumption will take time to recover (China Daily, 2020).

Table 1 Heat map of China's economic health and consumer sentiment

Indicators	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20
	% year-on-year change, unless otherwise specified													
GDP growth (%)	6.0	6.0	6.0	–6.8	–6.8	–6.8	3.2	3.2	3.2	4.9	4.9	4.9		
Unemployment rate (%)	5.1	5.1	5.2	5.3	6.2	5.9	6.0	5.9	5.7	5.7	5.6	5.4	5.3	5.2
Consumer price index (100 = prior year)	103.8	104.5	104.5	105.4	105.2	104.3	103.3	102.4	102.5	102.7	102.4	101.7	100.5	99.5
Government revenue (year to date)	3.8	3.8	3.8		–9.9	–14.3	–14.5	–13.6	–10.8	–8.7	–7.5	–6.4	–5.5	–5.3
Government expenditure (year to date)	8.7	7.7	8.1		–2.9	–5.7	–2.7	–2.9	–5.8	–3.2	–2.1	–1.9	–0.6	0.7
Merchandise exports	–2.0	–2.7	7.7	–2.5	–40.4	–6.8	3.5	–3.3	0.3	7.3	9.5	9.9	11.4	21.1
Merchandise imports	–6.8	0.4	16.4	–12.0	8.8	–0.5	–13.8	–16.4	3.3	–0.9	–2.0	13.6	5.2	5.0
IHS MArkit PMI	51.7	51.8	51.5	51.1	40.3	50.1	49.4	50.7	51.2	52.8	53.1	53.0	53.6	54.9
Consumer confidence (index)	124.3	124.6	126.6	126.4	118.9	122.2	116.4	115.8	112.6	117.2	116.4	120.5	121.7	124.0
New total social financing	868.0	1993.7	2201.3	5053.5	873.7	5183.8	3102.7	3186.6	3468.1	1692.8	3585.3	3469.3	1393.5	2134.3

Notes: Grey-shaded boxes indicate no available data. GDP growth is reported quarterly.
Source: CEIC; National Bureau of Statistics of China

3 China's international economic response

This chapter focuses on China's international economic response. We define this as outward direct investments, foreign dispatched labour, credit to other countries, foreign aid, exports to and imports from other countries and any debt relief.

The chapter is in four parts looking at: macroeconomic indicators, to gauge China's investment appetite; project-level data, to understand which sectors and countries Chinese investors are focusing on post-Covid-19; analysis of recent policies, to understand which sectors China is interested in; and developments in China's debt negotiations. While we note updates to indicators and policies we analysed in Pulse 1 (Tanjangco et al., 2020), we will also look at China's trade with the 63 original BRI countries, troubled projects, trends in the size of Chinese projects in 2020 compared to past years and Chinese digital endeavours in BRI countries. In terms of scope, macroeconomic and project-level data covers January to November 2020 due to reporting lags, while policy and debt updates cover the end of October to mid-December.

Table 2 Heat map of China's investment appetite

Indicators	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20
	% year-on-year change, unless otherwise specified													
Outward investment, non-financial, year to date	1.0	–5.5	–3.6	–9.5	–1.0	–3.9	–3.1	–5.3	–4.3	–5.5	–5.2	–2.6	–4.5	–3.7
Outward investment, non-financial (BRI), year to date	–3.7	–1.4	–9.3	19.5	18.3	11.7	13.4	16.0	19.4	28.9	31.5	29.7	23.1	24.9
Dispatched persons abroad, year to date	0.3	–2.0	–0.9	–44.1	–42.6	–42.3	–46.4	–42.5	–43.4	–40.0	–43.7	–41.6	–41.2	–41.4
Industry inputs – cement	–0.9	9.6	8.4			17.7	4.7	9.6	9.0	3.8	7.0	7.2	10.3	8.2
Industry inputs – pig iron	–3.2	1.6	6.1			1.2	3.1	7.1	9.3	14.3	10.4	12.6	16.1	11.2
Industry inputs – crude steel	–1.2	3.4	10.7			–1.7	0.0	3.6	4.6	9.5	8.7	11.8	13.1	9.2
Industry inputs – steel products	4.7	10.4	11.4			1.0	4.9	6.6	8.2	10.5	12.0	13.1	15.4	12.8
Industry inputs – aluminium alloy	19.7	20.3	30.0			5.5	19.1	14.3	14.2	–0.5	3.0	5.3	10.3	8.3

Notes: Grey-shaded boxes indicate no available data.
Source: CEIC Data, National Bureau of Statistics of China, Ministry of Commerce

3.1 Macroeconomic indicators

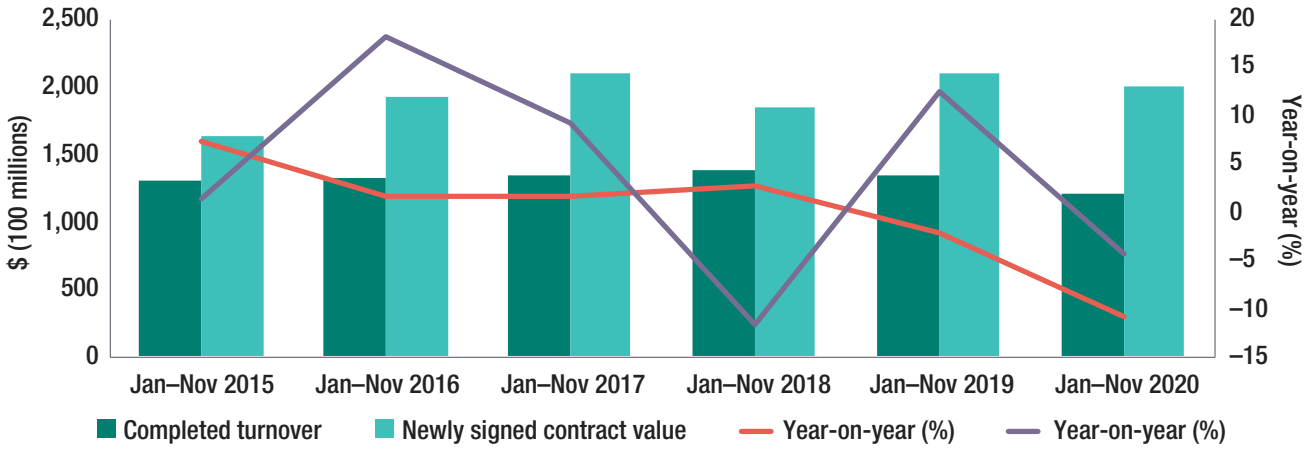
Overall overseas investments and related indicators are still slightly subdued relative to 2019. Since the first Pulse report (Tanjangco et al., 2020), new data has come in for October and November. Looking at the Ministry of Commerce's NFODI[4] data, which now captures approved outward foreign direct investments, from January to November domestic Chinese firms invested a cumulative total of $95.1 billion in 6,212 companies overseas in 167 countries. However, this still reflects a 3.7% decline compared to 2019 (Table 2) (MOFCOM, 2020d). Dispatched labour over the same period is 41.4% lower than 2019 (Table 2) (ibid.). Year-to-date completed turnover of foreign engineering contracts declined by 10.8% year-on-year from January to November, and new signed foreign engineering contracts decreased by 4.4% year-on-year over the same period (Figure 2) (ibid.). Year-to-date newly signed foreign engineering contracts declined in October and November, the first time this has happened since last April. This signals a stifling of investment appetite overseas, perhaps because of uncertainty regarding the investment climate or a pull to divert resources domestically.

Non-financial investments in BRI countries remained robust. NFODI for BRI countries from January to November grew 24.9% from the same period in 2019 (Table 2). NFODI for BRI countries increased its share of total NFODI to 16.3%, up 3.6 percentage points over the previous year. Investments were said to be mostly in Asia and the Middle East (Singapore, Indonesia, Laos, Vietnam, Cambodia, Malaysia, Thailand, Kazakhstan, the United Arab Emirates and Israel) (MOFCOM, 2020e).

The pandemic may be affecting the completion of work and new contracts along the BRI. Although the Ministry of Commerce reports growth in approved outward investments to BRI countries, its report on foreign contracted projects paints a different picture. Complete turnover engineering contracts and newly signed contracts to BRI countries both declined between January and November (by 5.0% and 10.4% respectively) (ibid.). This could reflect disruption to and delays in finishing projects due to the pandemic. It may also imply that companies are focusing on completing big-ticket items rather than starting new projects (Economist Intelligence Unit, 2020). NFODI and foreign engineering contracts often align but they can move against each other, as infrastructure projects are a subset of investments.

Other proxy indicators for potential investments abroad, such as industrial inputs, saw double-digit growth. Production of construction materials in China has been linked to the availability of government finance for

Figure 2 Completed and new foreign engineering contracts, January–November



Source: Ministry of Commerce (http://data.mofcom.gov.cn/tzhz/forengineerstac.shtml)

4 Outward direct investment refers to enterprises run or instituted by domestic players in foreign countries, including activities pertaining to the operation and management of those enterprises.

exports and foreign infrastructure projects, with the logic that Chinese government financing facilitates the over-production of industrial inputs to be sold to foreign buyers and used in infrastructure projects abroad (Dreher et al., 2017).[5] The latest datapoint saw the production of inputs such as cement, iron, steel and aluminium increase more than 10% in October and 8.2–12.8% in November. Trends are improving since the first Pulse; the data shows a steady increase over the past few months as the construction and manufacturing sectors reopen and the economy recovers. Any over-production of industrial inputs might spill over to Chinese-financed infrastructure projects abroad, albeit with a lag.

3.1.1 Focus on the BRI – trade

This section examines trade flows between China and the original 63 countries in the BRI.[6] Trade and investment are expected to be closely linked; after all, the BRI was established not only to encourage investment, but also to stimulate trade between participating countries. Already, the past few years saw a strengthening of trade ties. Yu et al. (2020) find that the BRI has been a successful catalyst of bilateral trade preferentiality between China and BRI countries. Including China, the original block of 64 countries in the BRI account for almost 30% of global GDP (World Bank, 2019). In 2019, the 63 BRI countries accounted for 27.5% of China's merchandise exports and 27.2% of merchandise imports (all calculations are based on reported figures in US dollars). China's merchandise exports to the 63 BRI countries grew faster in 2019 compared to headline figures, growing 8.8% year-on-year, while aggregate merchandise exports did not grow and just equalled the high base in 2018.[7]

Exports

Unlike NFODI, Chinese exports fell amid the pandemic, with the declines to certain BRI partners more severe. Chinese exports declined 17% year-on-year in January and February, largely due to temporary factory closures. Exports to the 63 BRI countries also declined, but at a more modest pace of 7.3% year-on-year.[8] Exports from China next declined in May, when they fell 3.3% year-on-year. China's exports to the 63 BRI countries fell further during that month, declining 6.3% year-on-year as demand in these countries weakened. The impact on exports was uneven. Exports to South and Central Asian BRI partners saw larger declines compared to other BRI countries, with exports to Central Asian BRI countries falling around 55% on an annual basis in March and those to South Asia falling 45% in May (see Figure 3).

This has since recovered, with China's Asian neighbours seeing the most uptick. From January to November, exports increased to BRI countries in Europe, the Middle East and North Africa, and to Southeast and East Asia (see Figure 4). ASEAN was China's largest trade partner over the last 11 months (the importance of this region will be discussed later in this chapter, and in Chapters 4) (MOFCOM, 2020). The resilience of trade with ASEAN in part reflects the handling of Covid-19, where most member countries saw fewer new cases than other countries (CSIS, n.d.; Johns Hopkins University, 2021). However, Central and South Asian partners still saw declines in exports from

5 Dreher et al (2017) link domestic industrial overproduction to Chinese government financing for foreign infrastructure projects. Dreher et al (2019) intuit that the production of raw materials is linked to the availability of foreign projects for Chinese government financing. To address overproduction, China subsidises overseas infrastructure projects, often conditional on purchasing Chinese industrial inputs. Stimulating demand abroad can thus help reduce domestic overcapacity.

6 Although the number of countries in the BRI has increased to 138, time and data limitations restrict the current analysis to the original 63 (i.e. 64 minus China, with India omitted because of its rejection of BRI membership. For the purpose of looking at bilateral trade data, China was excluded.

7 The value of China's merchandise exports (free-on-board) was $2,499 billion in 2019 and $2,501 billion in 2018, representing a slight decline of 0.1%. This decline is coming from a high base as 2018 saw strong export growth (growing 9.7% from 2017).

8 Trade data broken down by country combines January and February, so these are reported together.

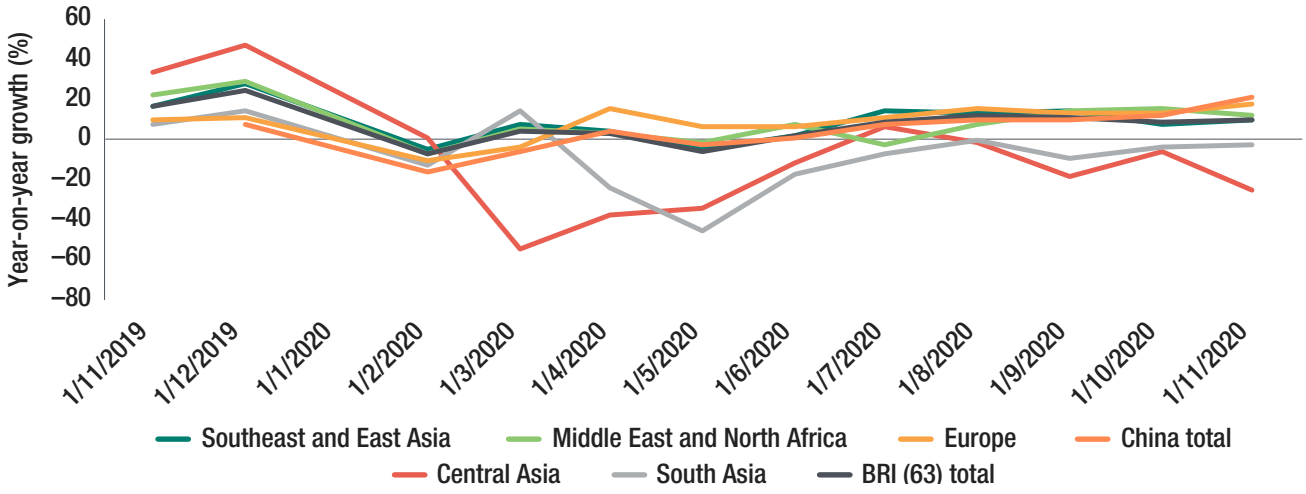
China (Figure 4). In total, China's merchandise exports to the 63 BRI countries from January to November 2020 was 3.75% higher than in 2019.

Imports

Chinese import growth has been slower to recover than exports, and imports from BRI countries were similarly lacklustre. Developing economies rely on Chinese import demand for many of their exports, but domestic demand has been weak due to sluggish private consumption and private investments. With a still-recovering domestic economy, import growth from the 63 BRI countries was patchy, contracting since April and only seeing positive growth in September (Figure 5). From January to November, imports from the 63 BRI countries were still 2.7% lower compared to 2019.

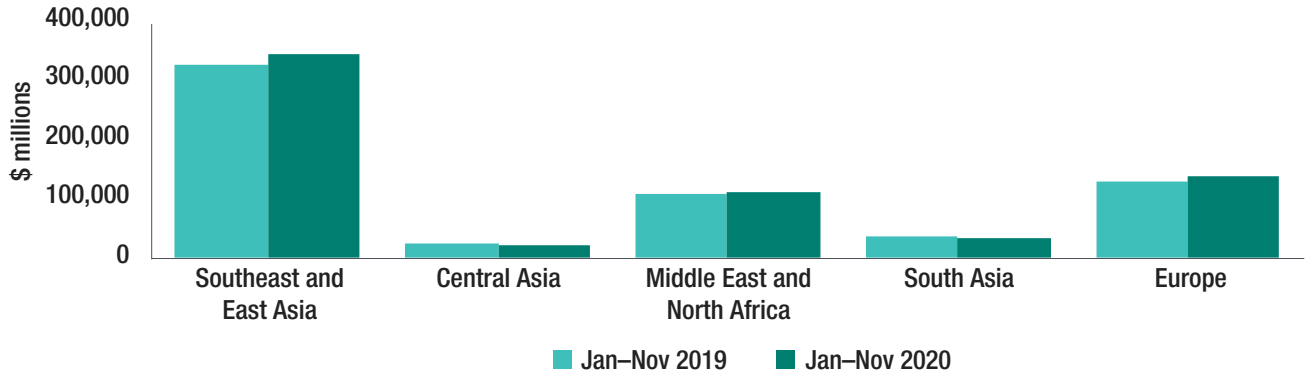
Imports from the 63 BRI economies have started to pick up, mainly in Southeast and East Asia. Most imports in the first 11 months were from China's neighbours in these regions, which have grown 4.9% compared to 2019. BRI countries in Europe also saw some gains. However, imports from BRI countries in South and Central Asia and the Middle East and North Africa are still lower compared to the previous year (Figure 6). Import values from the Middle East in particular face steep and persistent declines because of the fall in oil prices. In terms of volume, imports of crude petroleum have actually been robust, but prices have depressed

Figure 3 Chinese export growth to BRI countries by region



Notes: The 63 BRI countries were grouped according to the World Bank's classification by region. For the specific categorisation, please see Annex 1. Sub-Saharan Africa is not covered by this analysis because none of the 63 countries studied are African.
Source: General Administration of Customs; CEIC data

Figure 4 Exports to BRI countries by region, January–November



Notes: The 63 BRI countries were grouped according to the World Bank's classification by region. For the specific categorisation, please see Annex 1.
Source: General Administration of Customs; CEIC data

import values. Import receipts from developing economies exporting oil to China will likely remain weak as prices stay low.

In general, both exports and imports from the 63 BRI countries were substantially affected by the pandemic, but there is some resilience in exports to and imports from certain regions, such as Southeast and East Asia. Externally, China has benefitted from the export of pandemic-related goods and goods that have halted production in other countries. Domestically, imports are slowly recovering. China's import recovery is of particular importance as many countries rely on Chinese domestic demand to absorb their exports.

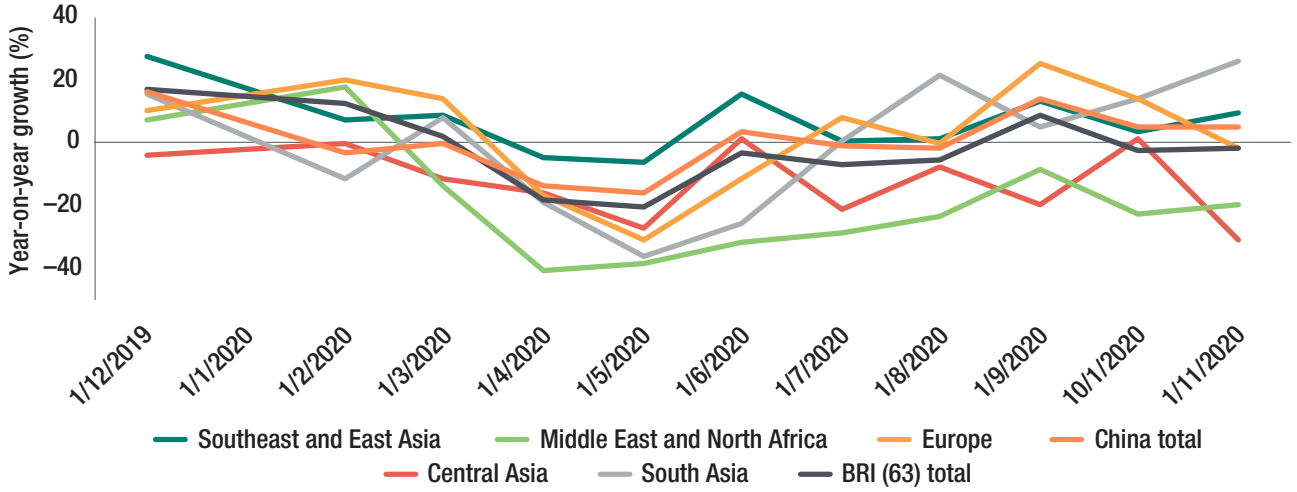
3.2 Project-level trends

This section provides the necessary granularity to understand changing trends in and discern signals of China's overseas activities. It provides nuance to the aggregate statistics described in the previous section, while adding information in terms of industries and countries targeted by Chinese state-owned enterprises (SOEs) and private enterprises operating overseas (RWR Advisory, 2020).

3.2.1 Focus on the BRI

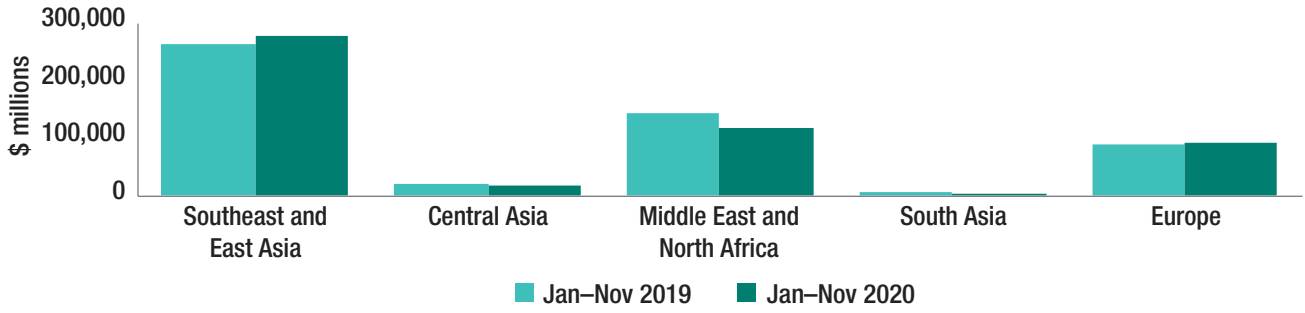
Chinese economic activity among BRI countries in January–November was concentrated in Southeast and East Asia and sub-Saharan Africa.

Figure 5 Import growth from BRI countries by region



Notes: The 63 BRI countries were grouped according to the World Bank's classification by region. For the specific categorisation, please see Annex 1.
Source: General Administration of Customs; CEIC data

Figure 6 Imports from BRI countries by region, January–November



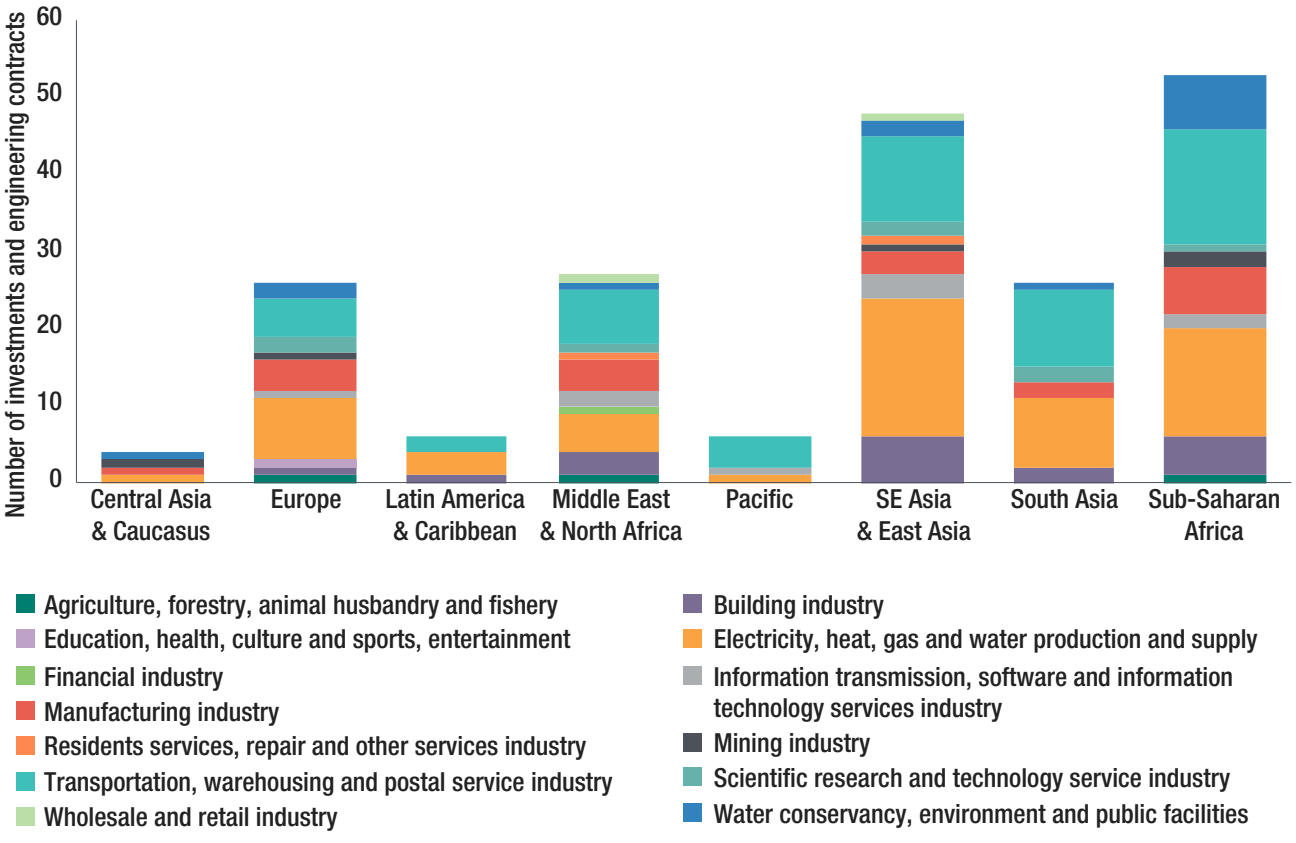
Notes: The 63 BRI countries were grouped according to the World Bank's classification by region. For the specific categorisation, please see Annex 1.
Source: General Administration of Customs; CEIC data

Similar to the global trends described in Pulse 1 (Tanjangco et al., 2020), the majority of Chinese investments and engineering services among the current 136 countries in the BRI focused on ASEAN countries and sub-Saharan Africa (Figure 7). From a sectoral perspective, energy and transportation projects dominate the overall share in both Southeast and East Asia and sub-Saharan Africa, followed by construction. In Africa, there was also activity in the manufacturing sector and water supply services.

Disaggregated data by investments and contracts, however, shows differentiated trends. Looking at the value of investments (foreign direct investment (FDI) and mergers and acquisitions (M&A)), the largest transactions were in the energy sector in Latin America and the Caribbean and sub-Saharan Africa. The Middle East and North Africa and Southeast and East Asia regions saw most investments (by value) in the transport sector, whereas investments in Europe were concentrated in the mining sector (Figure 8). More specifically:

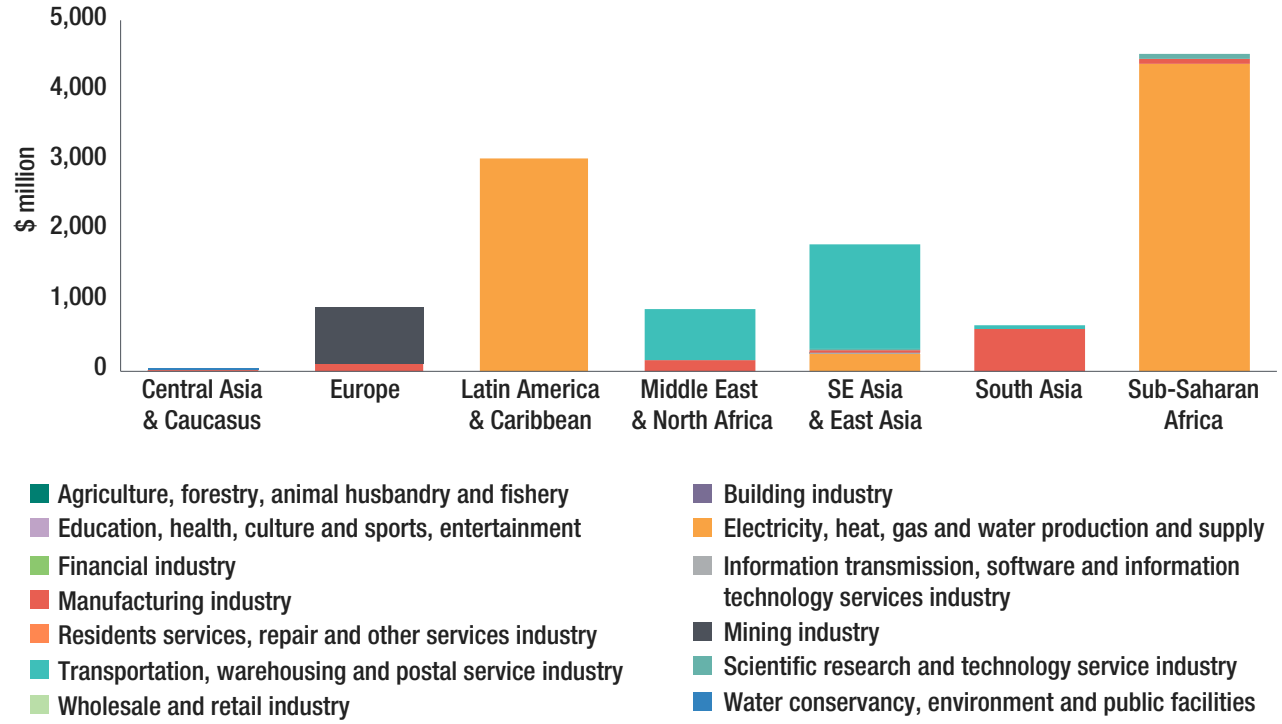
- In Latin America investment was driven by the $3 billion acquisition of Chile's Compania General de Electricidad in November 2020 by China's State Grid, which became the majority shareholder.
- In sub-Saharan Africa greenfield investments in two major power plants were announced: the 4x700MW Senga coal power plant in Zimbabwe, for $3 billion, and the 840MW Ayago hydropower project on the Nile river in Uganda, expected to cost $1.4 billion.
- In the Middle East and North Africa, a new greenfield container terminal project in Abu Qir, Egypt, was signed in August, and in Southeast Asia Chinese-owned logistics company GLP announced the purchase of a majority stake in a new venture to develop three logistics assets in the Greater Hanoi and Greater Ho Chi Minh City areas.
- In Europe, the Zijin Mining Group announced plans to invest $800 million to increase its production capacity in Serbia, where it already owns several gold and copper mines.

Figure 7 Chinese economic activities in BRI countries, January–November 2020



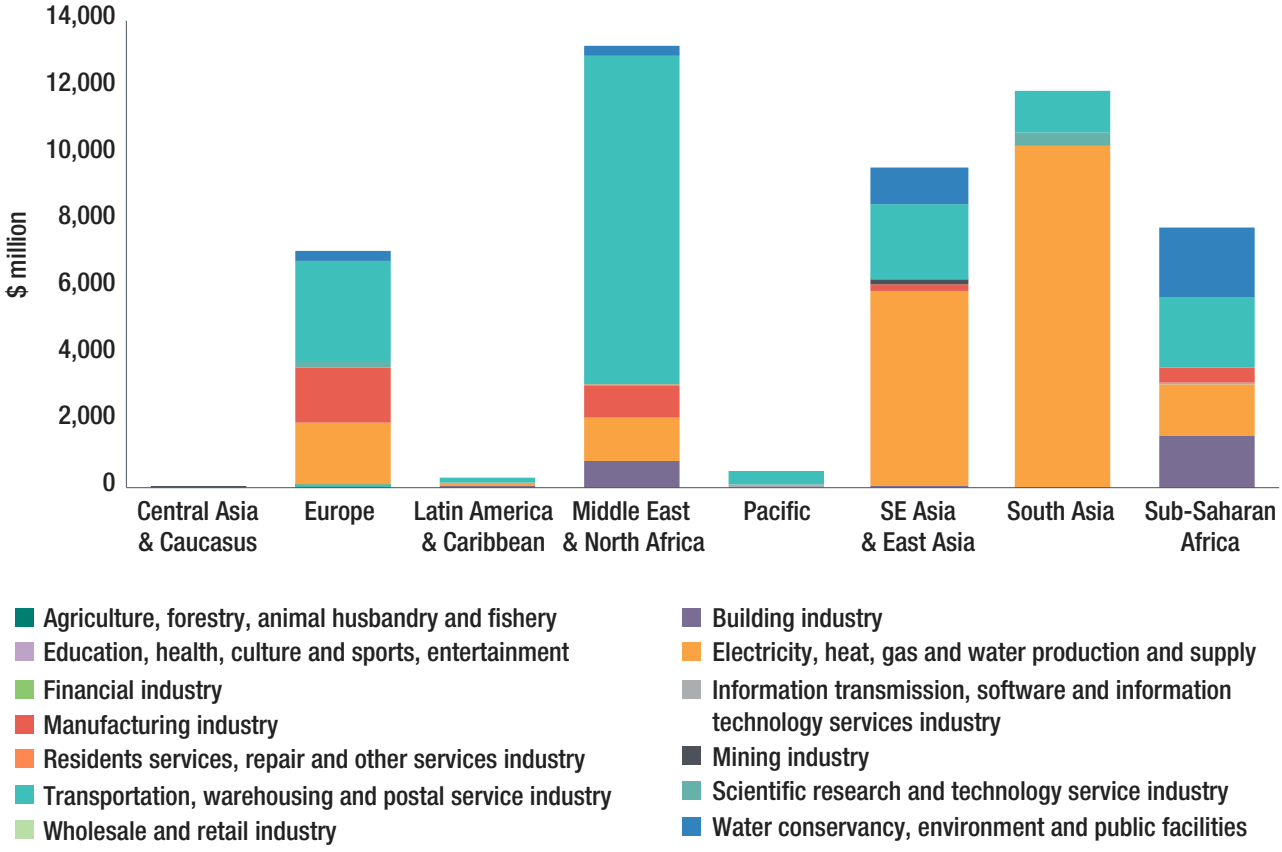
Source: RWR Advisory (2020)

Figure 8 Investments in BRI countries by region, January–November 2020



Source: RWR Advisory (2020)

Figure 9 Engineering contracts in BRI countries by region, January–November 2020



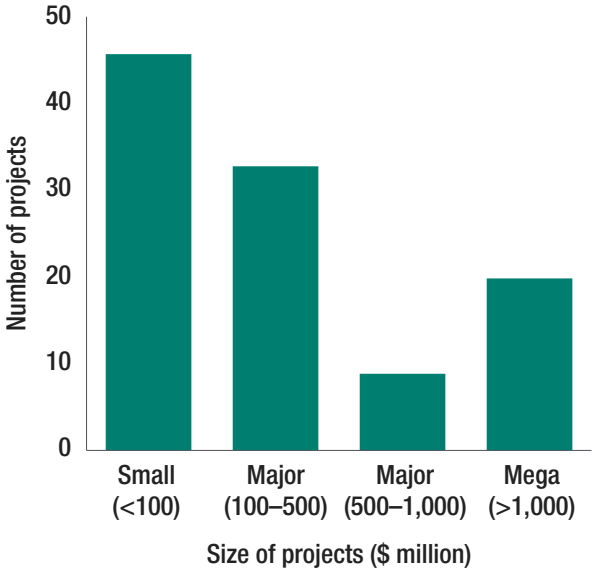
Source: RWR Advisory (2020)

Several high-value engineering contracts were won in the Middle East and North Africa and South Asia despite the overall lower level of economic activity compared to other regions. In the former, a massive $9 billion contract was signed between China Civil Engineering Construction Corporation (CCECC), Samcrete and the Arab Organization for Industrialization to build a high-speed rail link between Ain Sokhna on the Gulf of Suez and El-Alamein on the Mediterranean coast. In the latter, eight major energy engineering contracts were signed to build a cumulative 2,300MW of electricity capacity in coal (320MW), hydro (1,145MW), gas (800MW) and waste to energy (42.5MW) in Bangladesh, Pakistan, Sri Lanka and the Maldives (Figure 9). The Diamer-Bhasha Dam and hydropower project in Pakistan has raised $5.8 billion out of an estimated total cost of $14 billion to begin development and construction.

That said, the majority of projects Chinese companies have been involved in (either through investing or providing services) have been small (less than $100 million). There have been fewer major projects ($100–1,000 million), at 42, with the majority not exceeding the half-billion-dollar price tag. Twenty exceeded the $1 billion 'mega project' threshold. Of these, 16 were engineering projects in energy (eight), transportation (four), water (one), waste (one), manufacturing (one) and construction (one). There were two mega greenfield investments, in energy acquisition and energy greenfield FDI (Figure 10) (Flyvbjerg, 2014). While most media reports on the BRI focus on 'big ticket' infrastructure projects often driven by policy or political interests in Beijing, the size distribution of Chinese projects abroad shows that Chinese companies (both private and SOEs) are engaged in all types of investments and deals driven by commercial interests.

Mega projects were at their lowest level in 2020 year to date since the inception of the BRI (see Figure 11). Investments (FDI and M&A) exceeding $1 billion have been especially few and far between. This is understandable both

Figure 10 Chinese BRI projects by size



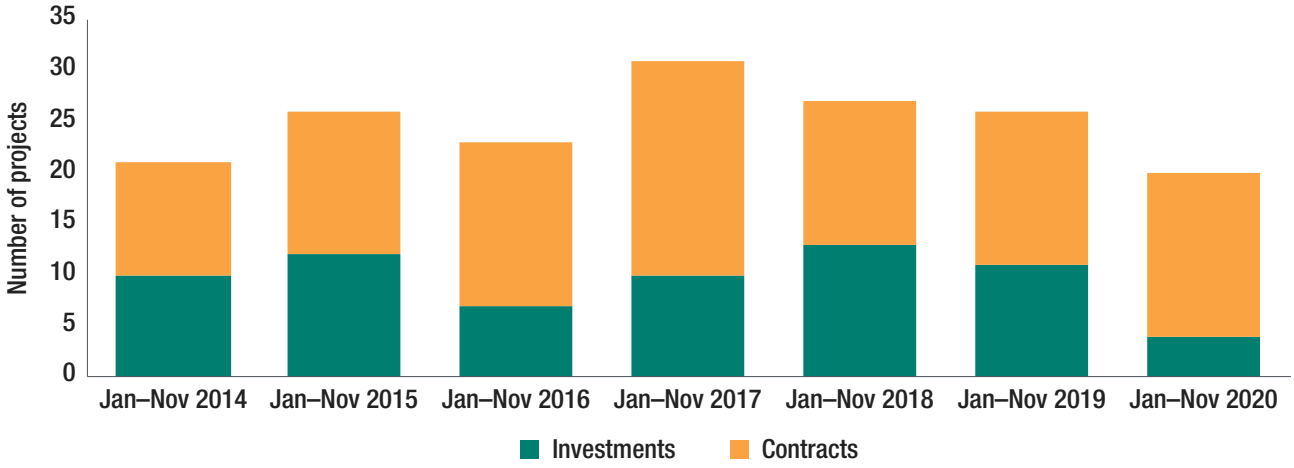
Source: RWR Advisory (2020)

in light of the impacts of Covid-19 and the slowdown in overseas investment and lending that started before the pandemic, partly driven by international criticism of Chinese 'white elephant' projects in developing countries.

Fifteen Chinese projects overseas reportedly ran into some form of trouble in January–November 2020.[9] Several have been affected by delays due to Covid-19, with Myanmar and Nigeria closing their borders early on to contain the virus, and Costa Rica likely as a result of mobility restrictions due to high numbers of infections. Other projects failed to raise the necessary funding or backing to achieve financial close. Many projects in countries with tense relations with China have been blocked on national security grounds or geopolitical considerations, including an acquisition in Australia and two service contracts in India and Romania, as well as acquisitions of ports in India and Vietnam. Other projects were halted, not extended or terminated due to failure to meet environmental standards or technical standards agreed in contracts. One project was cancelled due to community protests in Kyrgyzstan, where perceptions of China and Chinese investments have tended to be negative

9 We define projects as having run into trouble when they are cancelled, delayed, blocked, halted or withdrawn for a variety of reasons – some may depend on the Chinese parties, and some may be the decision or responsibility of the non-Chinese partners, including project partners and national and local institutions.

Figure 11 Chinese mega projects in BRI countries, 2014–2020



Note: The RWR Advisory database is a new endeavour and does not have historical time series dating back to the inception of the BRI. We therefore draw on the American Enterprise Institute Global Investment Tracker, which utilises a similar methodology for data collection, for data between 2014 and 2019.
Sources: RWR Advisory (2020); American Enterprise Institute (n.d.)

(Yau, 2019) (see Figure 12). The cumulative value of affected projects was $2.4 billion (this is a lower-bound estimate as several projects did not have reported project values).

Between January and November 2020, Chinese companies announced 17 new digital projects[10] in 13 countries (including 10 BRI countries), and one regional cross-border initiative. The cumulative value of these projects is $1,367 million (a lower-bound estimate as some did not report monetary values) and the majority (11) were greenfield investments to create research and development (R&D) and innovation centres focused on 5G, artificial intelligence (AI) and high-tech products and services; build manufacturing capacity to deploy 5G networks; and create technology parks for e-commerce and data centres. Collaboration and contracts were also signed to build high-speed 5G and fibreoptic networks, as well as providing training to students and workers on 5G technology (see Figure 13). The largest project by value is the construction of a smart city in Morocco, the Mohammed VI Tangier Tech City, which will attract over 200 Chinese companies in the aerospace, electronics, automotive, textile and machinery sectors. Huawei is the Chinese party in most of these projects.

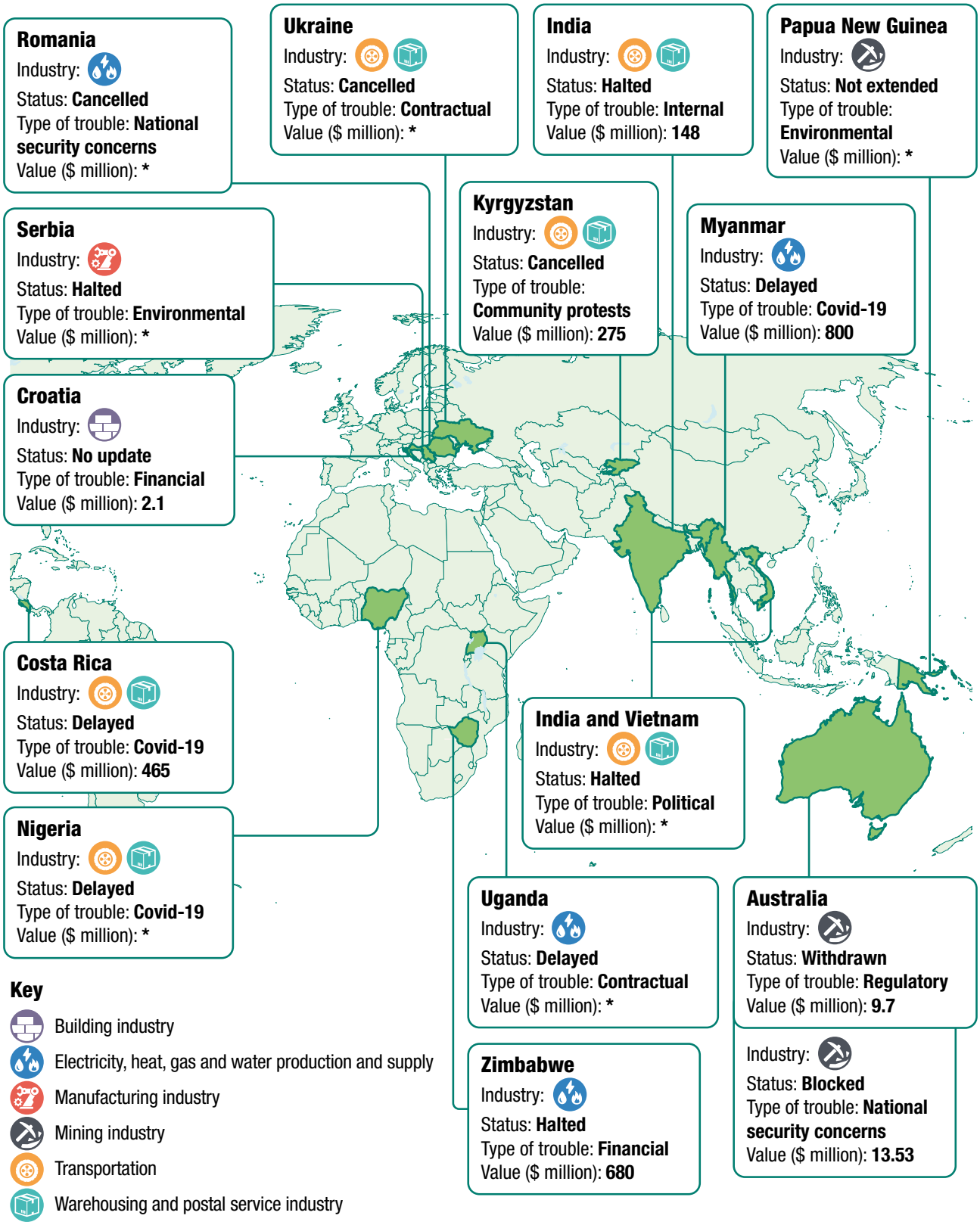
3.2.2 Chinese overseas lending modalities

New data released by Boston University's (BU) China's Overseas Development Finance Database shows further deceleration of overseas lending by China's two global policy banks, CDB and EximBank, in 2019. The database adds a global dimension to the existing regional databases on Chinese overseas lending, such as the China Africa Research Initiative (CARI) loans database and the Dialogue's China-Latin America Finance Database, contributing to the fragmented information on Chinese overseas lending practices. Key discoveries from the database involve the volume of, and trends in, overseas lending. For the former, CDB and EximBank lent a total of $426 billion from 2008 to 2019, just $5 billion shy of World Bank lending over the same period. For the latter, lending has dropped sharply in recent years, to just $4 billion in 2019 from a high of $75 billion in 2016 (Ray and Simmons, n.d.).

CDB and EximBank lending data for Africa and Latin America from CARI and the Dialogue show similar trends (see Figure 14). Beyond the existing drivers of the slowdown, the bigger drop in 2019 may also have been influenced by the increased scrutiny of CDB after the chairman,

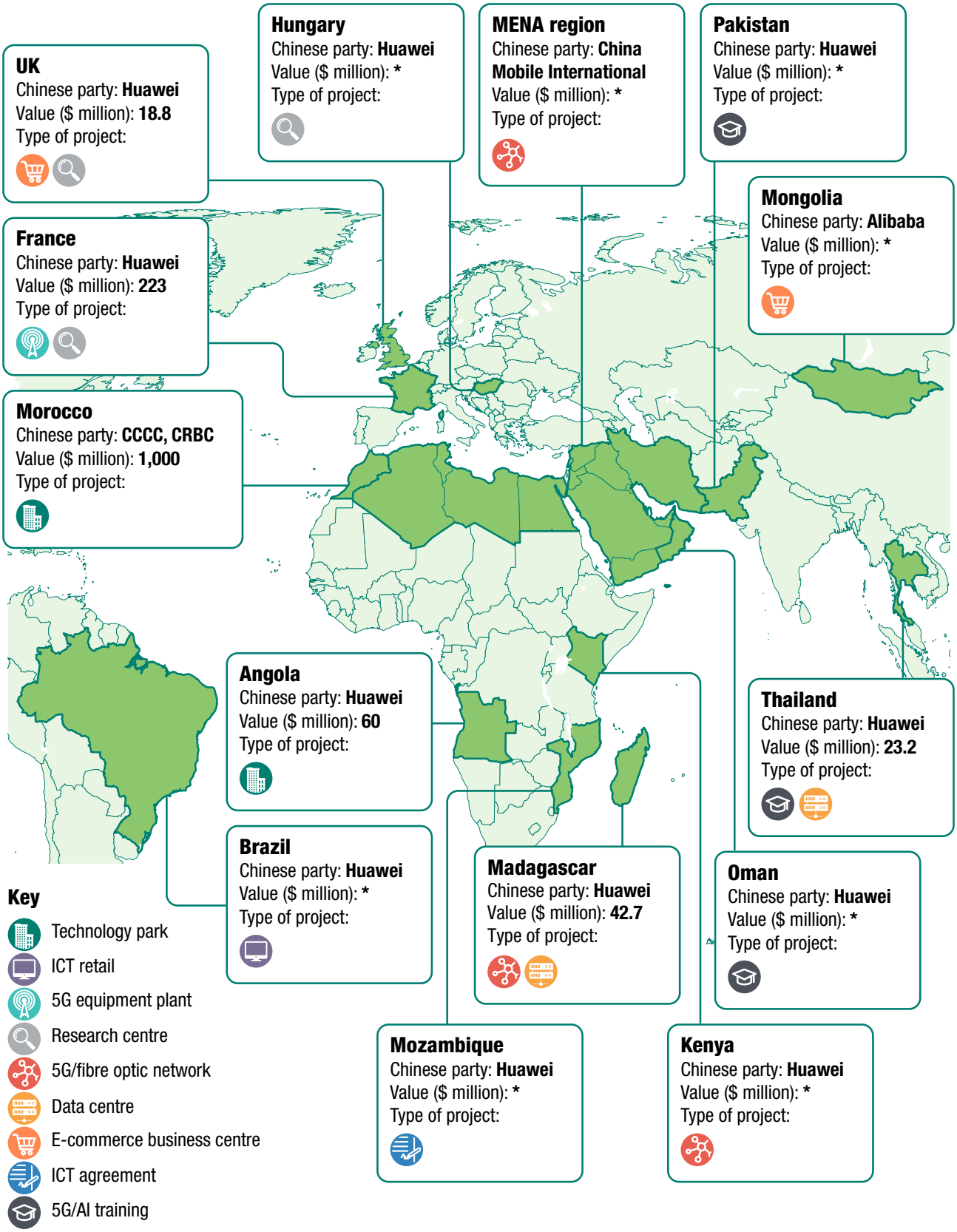
10 We use a broad definition of 'digital projects' to include infrastructure (network equipment, cables and 5G), data and research centres, large e-commerce, mobile payment deals and smart-city projects.

Figure 12 Chinese disrupted projects, January–November 2020



Note: Asterisks denote where no data is available. For a full description of these projects see Table A2 in Annex 1.
Source: RWR Advisory (2020)

Figure 13 Chinese digital projects, January–November 2020



Note: Asterisks denote where no data is available; AI, artificial intelligence. For a full description of these projects see Table A3 in Annex 1.
Source: RWR Advisory (2020)

Hu Huaibang, was charged with corruption in July 2019 (Staff, 2021).

The new data has been taken by many as a sign that the BRI, and China's overseas engagement generally, is unravelling (Olander, 2020). But what if the observed slowdown is also accompanied by a recalibration of Chinese overseas financing? While data is as usual piecemeal, this report notes two opposite trends that have until recently been positively correlated:

1. Chinese companies' FDI and new engineering project approvals remained resilient in January–November 2020, with similar volumes, albeit slightly subdued compared to 2019, as shown in Section 3.1.
2. Lending from China's two global policy banks has been slowing down since 2017.

This suggests that Chinese companies are still developing, building, managing and acquiring projects overseas, but the funding is not coming from the two traditional policy bank lenders. This may be a function of increased lending from Chinese commercial banks and non-financial SOEs, as argued by Kenderdine and Yau (2020) using the example of Kazakhstan (though there is no global dataset to robustly judge if this is a trend). **However, it could also be due to a gradual shift in funding modalities towards more balance sheet and project financing.**

Data from the Climate Bonds Initiative shows that, concurrent with the slowdown in CDB and EximBank's overseas lending, there has been an increase in Chinese green bonds issued in foreign currencies in offshore jurisdictions, amounting to $12.5 billion in 2019. This represents growth of 30% from the issuance volume in 2018, with 76% issued in US dollars ($9.5 billion), 12% in euros ($1.5 billion) and 4% in Hong Kong dollars ($0.5 billion) (Meng, 2020). The issuers are a mix of financial and non-financial SOEs, and the proceeds have been used in low-carbon infrastructure, prevalently for transport projects (35%) and low-carbon buildings (32%) (see Figure 15). While there is no full information on the geographical spread and use of proceeds for these bonds, it is reasonable to assume that they have been used to fund infrastructure projects overseas and not domestically since they were issued in foreign currencies (email exchange, 21 December 2020).

While the absence of sufficient data prevents us from ascertaining if a shift in Chinese overseas lending modalities is happening, both China's partner countries and the international community should understand that such a shift is a possibility, especially after much criticism has been moved against China's old lending models. After all, it seems more plausible that a recalibration of the BRI is under way, which would understandably take a few years, rather than the abrupt halt and dismantling of more than 20 years of Chinese 'Going Out' strategy. As new data is released – for instance, CARI is releasing new data on loans to Africa from Chinese policy and commercial banks as well as non-financial SOEs in March 2021 – it will be possible to deepen our understanding of how the BRI is evolving.

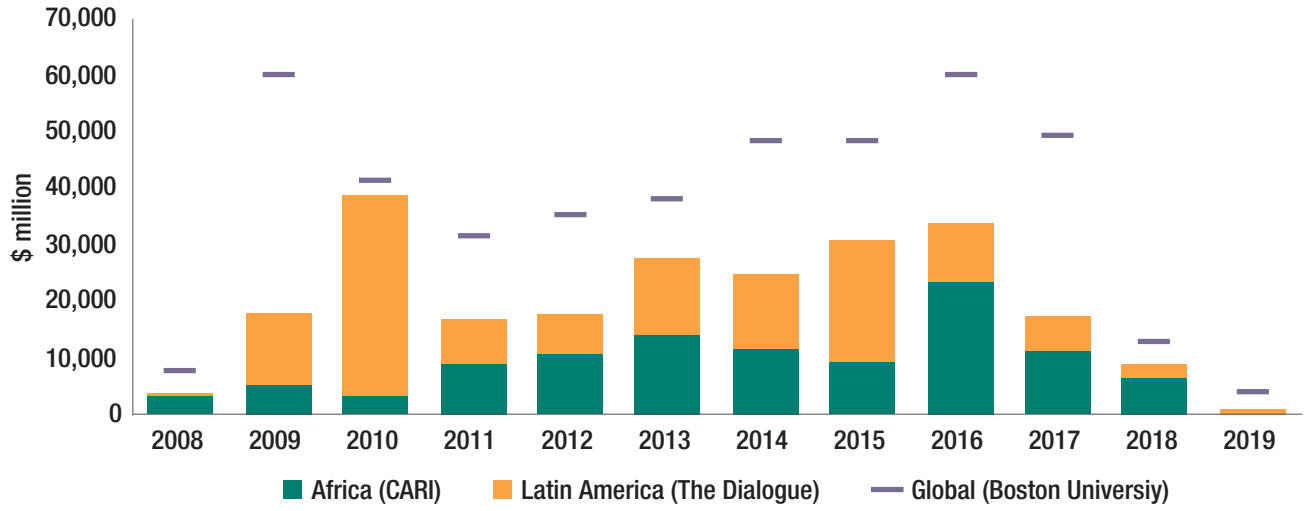
3.3 Policy developments

This section discusses recent policy developments that may signal which areas or sectors Chinese policy-makers are interested in, and how China is engaging with other countries in light of the pandemic. Policy developments help developing countries assess which areas are being supported by the government, and which will likely receive the most attention.

3.3.1 Planning for the medium and long term with the 14th Five-Year Plan and 2035 Long Term Vision

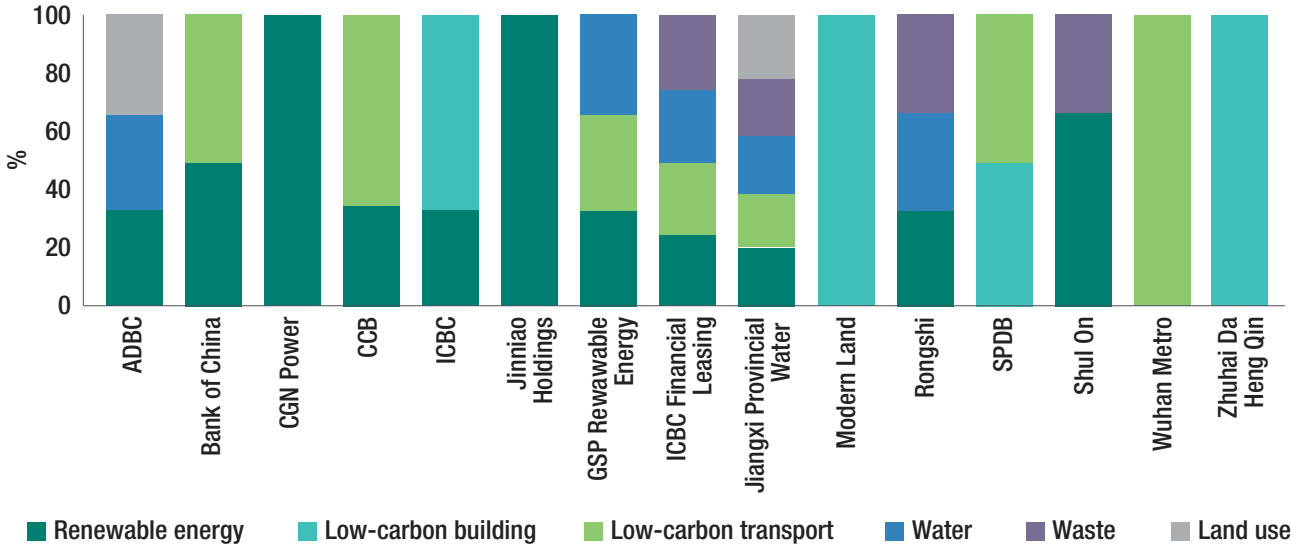
In October 2020, President Xi and the Central Committee held the fifth plenum meeting, adopting a draft resolution on formulating the 14th Five-Year Plan (FYP) and long-term vision for 2035. The FYP, to be approved by the National People's Congress during an annual session in March 2021, marks the first planning period (2021–2025) of Vision 2035. The October plenum communiqué emphasised the importance of reforms and technological innovation as a driver of high-quality development, calling it 'innovation-driven' development, in which China aims to become a leader in global innovation (Xinhua, 2020a).

Figure 14 CDB and EximBank lending, 2008–2019



Note: The Dialogue's China-Latin America finance database is a collaboration between the Inter-American Dialogue and BU that predates the new BU global dataset, therefore both datasets (Latin America and global) are corresponding because they are from the same source. CARI data for 2019 will be published in March 2021.
Source: CARI, the Dialogue, Boston University

Figure 15 China offshore green bonds proceeds allocation, 2019



Source: Meng, 2020: 7

Dual circulation, which consists of a 'domestic circulation' aspect to reinforce China's domestic production and consumption markets while keeping the country open to the world through an 'international circulation' element, will form the core of the new development concept, in which China relies on the domestic market for sustained economic development. Xi highlighted that the new development concept is a 'strategic choice' arising from China's 'new advantages in international economic cooperation and competition' (Xinhua, 2020b).

China aims to 'basically realise the long-term goal of socialist modernisation by 2035', using a multi-stage approach by which it would achieve the second centenary goal of building a modern socialist country by 2049. This entails addressing long-standing challenges and increasing the country's economic, scientific and technological strength, raising per capita incomes of urban

and rural residents, achieving breakthroughs in key core technologies at the forefront of innovative development, realising new types of industrialisation and establishing a modern economic system. In marked contrast to previous FYPs, no specific GDP growth target was set.[11] Instead, Xi stated that the country can 'reach the current high-income national standards by the end of the 14th Five-Year Plan', and that, by 2035, 'it is entirely possible to double the total per capita income' (Xinhua, 2020b). To achieve high-income status by 2025, China needs to maintain GDP growth of around 4.5% (Chen, 2020a) and around 4.7% to double its output between 2021 and 2035 (Yao, 2020). While some economists suggest that it is feasible for the country to double its output in 12 years others are more sceptical, arguing that the levels of growth needed to achieve the target are ambitious for an economy of China's size (Bloomberg, 2020).

As anticipated in Pulse 1 (Tanjangco et al., 2020), China will prioritise dual circulation and creating a strong domestic market using supply-side reforms. The shift to dual circulation is aligned with China's efforts to expand domestic demand over the last decade (Xinhua, 2020c). The draft resolution revealed little in the way of a strategic roadmap to achieving China's new development concept, though it contained more detail on the measures the country will use to smooth the domestic cycle and promote international and domestic dual circulation. Some experts have suggested that the new resolution 'likely signals a decisive reversal of China's "opening" to the outside world' (Pei, 2020), though Xi reiterated that, instead of seeking a closed domestic cycle, dual circulation will attract global resources to support domestic development and demand. Domestically, China's transition to dual circulation and adjusting the economy around domestic demand will require 'the deepening of domestic reforms to improve the market-orientation of the economy, increase productivity, level the playing field for the private sector, and enhance the social safety net to boost consumption' (Wang, 2020).

In line with China's priority of building technological self-reliance and upgrading industrial supply chains, the 14th FYP will be the first to devote an entire chapter to science and technology. This renewed drive for self-reliance in technology aligns with earlier strategic plans, such as Made in China 2025, which aims to upgrade China's manufacturing industry and improve innovation capacities in key core technologies (State Council, 2015). The communiqué outlined measures to build scientific and technological self-reliance, including developing strategic emerging industries such as biotechnology and new energy vehicles, with Beijing, Shanghai and the Guangdong-Hong Kong-Macao Greater Bay Area forming international scientific and innovation centres, and promoting digitalisation of the service industry. China's continued emphasis on building self-reliance in science and technology comes as no surprise given the rising geopolitical tensions with the US, which led to sanctions against leading technology companies including Huawei and Hikvision (US Department of Treasury, 2020).

3.3.2 Engaging regional neighbours and BRI partners through regional and developing country forums

In November 2020, China prioritised engaging with its regional neighbours and BRI partner countries through regional and developing country forums including the Shanghai Cooperation Organization (SCO) Heads of State Summit, the Brazil, Russia, India, China and South Africa (BRICS) Leaders meeting, ASEAN, Asia–Pacific Economic Cooperation (APEC) and the East Asia Summit. In these engagements, China has emphasised health security and promoted the benefits of deeper economic ties to post-pandemic recovery in the context of building 'a community with a shared future for mankind'.

Amid much speculation about the impact of China's transition to the dual circulation model and its impact on the country's overseas economic activities, China's leaders have used regional forums to reaffirm that the country will not retreat from the world. At the 20th Meeting

11 A qualitative and quantitative approach was adopted instead, though 'corresponding quantitative targets can be put forward on the basis of careful calculation' (Xinhua, 2020b).

of the Council of Heads of State of the SCO in November 2020, Xi reiterated that 'China cannot develop without the world, and the prosperity of the world also needs China' (Ministry of Foreign Affairs, 2020a). Premier Li highlighted that, under new conditions, China's large market will provide more opportunities for neighbouring countries and other partners, creating a more attractive investment and business environment through higher levels of opening up, stronger intellectual property protection and encouraging fair competition between domestic and foreign enterprises (Ministry of Foreign Affairs, 2020b). China's leaders have sought to reassure their neighbours and BRI partners that the country will work with them to jointly build a 'high-quality' BRI, and is encouraging them to align development strategies with the initiative.

China regards ASEAN as 'the priority direction of its neighbouring diplomacy' and a 'high quality area for the joint construction of the Belt and Road'. At the 17th China-ASEAN Expo and China-ASEAN Business Investment Summit on 27–30 November, Xi affirmed China's support for the region to play a greater role in constructing an open and inclusive regional structure (Ministry of Foreign Affairs, 2020c). China and ASEAN have signed an action plan for the implementation of the Joint Declaration of the China-ASEAN Strategic Partnership for Peace and Prosperity for 2021–2025, which outlines measures for cooperation in politics and security, economic and financial cooperation and cooperation in food and agriculture, transport, energy and minerals, ICT and technological innovation. China has raised $1 billion of start-up funds for the second phase of the China-ASEAN Investment Cooperation Fund (Ministry of Foreign Affairs, 2020d). This is in line with the recent signing of the RCEP, discussed in Chapter 4.

In November 2020 China hosted the 3rd China International Import Expo (CIIE). The CIIE, first held in 2018, aims to support trade liberalisation, economic globalisation and the opening up of Chinese markets. In his keynote speech, Xi noted that China had implemented measures announced at the 2nd CIIE in 2019 reducing the number of items on China's National Negative List of Market Access for foreign investment from 40 to 33, and increasing the number of pilot free trade zones from 18 to 21 (Ministry of Foreign Affairs, 2020e). Official statements emphasise that the 3rd CIIE contributes to global economic recovery by 'providing impetus to aid the economic recovery of countries along the Belt and Road, presenting opportunities for enterprises from these areas at a time when the COVID-19 pandemic is adding to uncertainties and challenges' (Zhong et al., 2020). Over 500 companies from 47 BRI partner countries reportedly participated in the event, including from 35 least-developed countries (LDCs) (China International Import Expo, 2020). The Expo reportedly ended with tentative deals in sectors such as consumer goods, food and agriculture and intelligent industry and information technology worth around $72.62 billion, representing a 2.1% increase on the last event in 2019 (Xinhua, 2020d).

3.3.3 New growth sectors: digital economy, green energy and agriculture

As highlighted in Pulse 1 (Tanjangco et al., 2020), Beijing is promoting the digital and smart economy and 5G as key sectors in post-pandemic recovery. This trend has continued in China's most recent regional engagements, alongside announcements on how China and its neighbours and BRI partner countries will promote this.

During the regional forums mentioned above China emphasised the need for greater cooperation across the digital economy, including big data, 5G, AI, e-commerce and smart cities. The China-ASEAN Expo prioritised expanding cooperation on the digital economy and promoting high-quality BRI construction (Ministry of Foreign Affairs, 2020c). Chinese companies and provincial authorities have signed several project agreements in the ASEAN region. China Road and Bridge and China Telecom signed a contract for data centre construction in the Philippines (RWR Advisory, 2020), Huawei announced that, in 2021, the company would spend $23.2 million to establish a third data centre in Thailand, and Cambodia signed an MoU with the Shanghai government on cooperation in science, technology and innovation (ibid.). While calling for full implementation of the APEC Internet and Digital Economy Roadmap and strengthened

digital construction, Xi stated that China will conduct smart city case studies to help formulate guidelines and provide a model for the development of innovative cities in the APEC region (Ministry of Foreign Affairs, 2020f). During the BRICS Leaders meeting, Xi stated that China is willing to build the BRICS New Industrial Revolution Partnership Innovation Base in Xiamen City in Fujian, and asked for support from BRICS countries for China's recently launched Global Data Security Initiative (Ministry of Foreign Affairs, 2020g).

Despite high-level calls at regional forums for the promotion of green development and a growing number of solar and wind power projects, coal projects still feature heavily in China's project commitments. This should perhaps come as no surprise as, domestically, China is also promoting green development while continuing to support fossil fuel investments. Over the next five years, China will prioritise green development and plans to triple its wind and solar capacity by 2030, as well as systematically reshaping the energy industry and formulating an action plan to reach peak carbon emissions before 2030. At the same time, China is also planning to strengthen domestic oil and gas exploration and development, and the country continued to rely on coal-powered industry during the recovery in 2020 (Yang, 2020).

China has reiterated the need to expand agricultural cooperation and ensure national food security with ASEAN and SCO countries. China plans to release a Trade Index with SCO Member States to help facilitate local economic and trade cooperation demonstration zones and SCO agricultural technology exchange (Ministry of Foreign Affairs, 2020h). The country will also cooperate with ASEAN governments to realise a '10+3 Rice Emergency Reserve Agreement', strengthen cooperation in agricultural science and technology innovation and food safety and enact relevant standards, technical regulations and conformity assessment procedures as outlined in the China-ASEAN Memorandum of Understanding on Strengthening Sanitary and Phytosanitary Cooperation and the China-ASEAN Free Trade Agreement (Ministry of Foreign Affairs, 2020i).

3.4 Debt negotiation updates

This section summarises recent reports on negotiations on debt owed to China. Many countries have had to divert funds to address the health and economic issues brought on by the pandemic, leaving them unable to fulfil their debt service obligations. China, a large holder of debt, is participating in negotiations with distressed countries.

3.4.1 Debt Service Suspension Initiative (DSSI)

China is currently part of the G20 Debt Service Suspension Initiative (DSSI) and has become a party to the new Common Framework. In November 2020, Finance Minister Liu Kun noted that 23 countries benefitted from total debt service suspensions worth $1.353 billion, and that the CDB, while not officially a bilateral creditor in the DSSI as it is considered a commercial creditor by the country, has signed agreements with DSSI countries worth $748 million (Ministry of Finance of the People's Republic of China, 2020). Regarding the timeline, the G20 has extended the initial debt service suspension period from December 2020 to June 2021, and with the Paris Club recently agreed a 'Common Framework for debt treatment beyond the DSSI'. This framework is expected to guide coordinated efforts to treat and resolve debt, ensuring that the burden is shared fairly among creditors (Pazarbasioglu, cited in IMF, 2020).

While there is no publicly available list of countries China is engaging with bilaterally, media reports confirm that it is working with several countries to address their debt problems. Pulse 1 noted media reports on debt negotiations between China and countries including Angola, Kenya, Kyrgyzstan, Laos, the Maldives, Papua New Guinea, Tonga, Zambia and Zimbabwe. Table 3 lists debt negotiations and updates reported since the first Pulse, from November to mid-December 2020.

3.4.2 Lessons from Zambia's debt default

Zambia's debt problems have been utilised to support criticism that Chinese lending is contributing to unsustainable debt among

Table 3 Reported developments in China's debt negotiations, November to mid-December 2020[i]

Countries that are in default	
Zambia	Zambia failed to pay a $42.5 million Eurobond coupon due 13 November. The central bank governor clarified that the country would have been able to pay the coupon but was unable to do so due to the need to treat all creditors equally. This, however, may have increased the possibility of creditors taking legal action (Mfula and Strohecker, 2020).
Countries that are participating in the Debt Service Suspension Initiative (DSSI)	
Angola	Interviewed on 23 November, Angola's finance minister stated that he hoped for three years of breathing space on debt obligations. The country owes more than $20 billion to Chinese creditors, roughly $14.5 billion to the China Development Bank and $5 billion to Export-Import Bank of China (Arnold, 2020).
Maldives	The Chinese ambassador to the Maldives met officials on 30 November to discuss the recovery and development cooperation. They mentioned that the Maldives has deferred some loan repayment under the DSSI. Under the initiative, China reduced loan repayment this year from $100 million to $75 million (Osmanagic, 2020). On 11 December an argument between the Chinese ambassador and Speaker of Parliament Mohamed Nasheed broke out on Twitter over the repayment of loans.[ii] The initial message from the Speaker said 'Over the next 14 days, Maldives Treasury must pay over $15m to Chinese banks. These banks have not, thus far, given any concessions for these loans. These repayments represent over 50% of the government income over the next 14 days. After Covid, Maldives needs breathing space' (Zhang, 2020). By 12 December, after a terse exchange, both parties had posted reconciliatory messages. The speaker ended the exchange by saying that the Maldives needs a further two-year grace period to repay its loans, and the ambassador said that dialogue had begun on relevant issues.
Pakistan	On 13 December, it was reported that Pakistan would take on additional Chinese debt to repay loans from Saudi Arabia. China agreed to provide $1.5 billion in financing through its bilateral Currency-Swap Agreement (CSA) (Chaudhury, 2020). As reported in November, Pakistan intends to seek another $2.7 billion loan for the construction of the first package under the China-Pakistan Economic Corridor (Rana, 2020).
Countries eligible for DSSI, but not participating	
Kenya	After initially stating that the country will not participate in the DSSI, Kenya announced in November that it was considering joining the initiative. It agreed to join in principle, but as of December 2020, this had not yet been finalised. Under DSSI, Kenya expects to defer debt repayments worth KSh 75 billion ($686 million) (Miriri, 2020).

i The breakdown of participants and non-participants in DSSI is based on the DSSI official list: www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative (World Bank, 2021).

ii See www.opindia.com/2020/12/former-maldives-president-mohamed-nasheed-criticises-chinese-debt-trap-island-nation-treasury-pandemic/, https://frontline.thehindu.com/dispatches/after-a-twitter-spat-on-repayment-of-loans-by-maldives-zhang-lizhong-the-chinese-ambassador-to-maldives-and-mohamed-nasheed-speaker-of-the-countrys-majlis-make-conciliatory-gestures/article33319468.ece.

low-income countries.[12] However, while China owns an estimated 33–41% of Zambia's total external debt ($4–5 billion out of a total of $12 billion), it is a minor stakeholder in Africa's overall external debt (17%). Multilateral and private actors are larger creditors, especially private Eurobond holders (Hill and Clifford-Mitimingi, 2020), though China is the biggest bilateral lender. While Chinese debt makes up a larger proportion of Zambia's external debt, loans on partial concessional terms from China Eximbank and CDB suggest it is less costly than borrowing from the private sector at commercial terms (Ofstad and Tjønneland, 2019). In addition, while Chinese lending is usually tied to infrastructure projects, private lending is not attached to specific projects or strict reporting requirements. When the third Zambian Eurobond was issued in 2015, the government did not specify how a large share of these funds ($410 million out of $1,250 million) were to be spent, though they have likely supported

12 See Chen et al. (2020).

consumption instead of productive assets (World Bank, 2017), undermining criticism that only China lent irresponsibly (ibid.).

The debt default was triggered after private bondholders refused the government's request to suspend a $42.5 million interest payment due in November 2020. CDB provided relief in the form of a $391 million debt repayment deferral from October 2020 to April 2021 without seeking interest arrears from the Zambian government as it had attempted previously (Mfula, 2020). In refusing to pay the coupon to Eurobond holders, the Zambian government sought to apply the 'equal treatment of all creditors' principle as recommended by the DSSI, despite having the capacity to pay (Hill and Clifford-Mitimingi, 2020). Bondholders had two concerns that contributed to the failure to reach an agreement: that debt relief would end up servicing debt owed to China in the absence of more transparency around Zambia's borrowing from China; and the apparently unfulfilled request for the government to provide a credible 'policy trajectory' and framework to restore fiscal sustainability (ibid.). On the first concern, Chinese stakeholders agreed that the Zambian government could share more information with the bondholder committee in return for signing confidentiality agreements, which the committee refused to do (while this had the negative effect of causing the default, it may put some pressure on China to increase transparency on its lending unconditionally.

The consequences of Zambia's default are likely to be severe. Bondholders have announced that they expect a more adversarial backdrop to future discussions with the government, and many foresee drawn-out and costly negotiations (leading to the 'too little, too late' problem of debt workouts) which would be catastrophic for Zambia's recovery from Covid-19. More generally, the United Nations Conference on Trade and Development (UNCTAD) has warned of another 'lost decade' if the challenges raised by the pandemic are not addressed, including large unsustainable debt burdens for developing countries (UN, 2020).

The Zambian debt default saga mirrors the wider misplaced focus of what is required to resolve the current (and future) sovereign debt crisis in an orderly way. There has been a great deal of attention on the role played by China in the current crisis (Brautigam, 2020); however, the case also illustrates the shortcomings of the existing international debt architecture involving the private sector. The current architecture is based on a contractual approach/doctrine, which includes collective action clauses in bond contracts to mitigate delays and 'holdouts' caused by a minority of private creditors in renegotiating debt (Kaiser, 2013). While these clauses have contributed to the orderly restructuring of sovereign debt, there is still a large outstanding stock of sovereign bonds that lack them. In addition, collateralised debt instruments, which are not protected by these clauses, are increasingly being used in sovereign borrowing (IMF, 2020).

The Zambian case is particularly illustrative of the obstacles to an agreement with the private sector even on achieving a debt standstill, let alone debt haircuts or cancellation. In this respect, besides criticism of the limited amount of debt service covered by the DSSI (3.65% of debt service for 2020) (Fresnillo, 2020), there has also been strong criticism of the DSSI and the new Common Framework's failure to make the inclusion of the private sector mandatory, while putting the onus on the debtor country to seek equal treatment (Munevar, 2020). Other criticisms of the Common Framework include the exclusion of middle-income countries despite the fact that they also face deteriorating macroeconomic conditions, and the preclusion in principle of debt haircuts and cancellation other than in 'the most difficult cases'.

Proposals have been put forward over the last 20 years to create a sovereign insolvency framework based on a statutory approach. Recently, UNCTAD and 33 civil society organisation networks representing more than 1,500 individual organisations have made similar proposals to create a body independent from both creditors and debtors, perhaps under the UN, to restructure a country's entire debt stock

Box 1 Sinosure's role in China's overseas lending and debt negotiations

Sinosure was established in 2001, the year China joined the World Trade Organization (WTO), following a merger between the export credit departments of China Eximbank and the People's Insurance Company of China. As an export credit agency, its purpose is to promote China's foreign trade and investment. Unlike China Eximbank and CDB, Sinosure does not offer direct loans, but provides insurance for Chinese exporters, contractors and lenders, underwriting the risks of foreign trade, lending and investment. Sinosure is the primary provider of risk insurance for China's overseas investment 'going out' and in the BRI.

Not all Chinese loans require Sinosure backing, but lenders prefer it, depending on their risk appetite. In countries with higher risk ratings, Sinosure coverage may be a requirement for banks to extend financing. In much of Africa, Sinosure guarantees are preferred by CDB, while for commercial or private lenders such as Industrial and Commercial Bank of China (ICBC), Sinosure guarantees are considered essential. China Eximbank is less likely to require Sinosure involvement, particularly for concessional loans where the interest rate is low. Eximbank may involve Sinosure for particular projects considered high-risk, due to the country profile, the size of the project or when the country's existing loan portfolio to China is already large.

What is Sinosure's approach to debt renegotiations?

In the case of loan non-repayment, Sinosure is subrogated to the rights of the lenders. Sinosure will reimburse the amount owed by the borrower according to the terms of the contract, typically by reimbursing unpaid instalments or by a lump-sum payment up to 95% of the debt or equity insured, meaning that it bears almost the entire default risk.

Sinosure's final approval is mandatory to any restructuring or refinancing that takes place between borrower and creditor, though its limited capacity may limit how actively it participates in renegotiations. However, if a sovereign default occurs, Sinosure assumes the obligations of all Chinese creditors for restructuring, and will act as a single representative of all creditors in communicating with the State Council. This minimises any conflicts of interest between Chinese creditors over seniority of debt.

Sinosure is legally mandated to exhaust all means to recover the loan or equity value. However, as a state-owned entity reporting directly to the State Council, Sinosure defers to China's diplomatic interests in dealing with sovereign borrowers, and may allow flexibility through rescheduling or restructuring loan terms. This is likely to be a protracted, case-by-case process as it requires State Council approval; Sinosure does not have the authority to write off debt. In cases where the borrower is a non-sovereign public or private entity (e.g. a parastatal or SOE), there is less scope for flexibility, and Sinosure's approach is likely to be more aggressive.

For sovereign borrowers that have defaulted or have unpaid arrears, Sinosure has the power to stop all future disbursement of loans and limit further access to finance. Following Ethiopia's default in 2018, Eximbank finance for the next phase of the SGR rail project from Weldiya to Mekele has been halted, probably due to Sinosure's non-approval. In Zimbabwe, Sinosure refused to grant guarantees for an expansion of the Hwange Thermal Power Plant in 2016. This was due to outstanding unpaid debts from Zimbabwe Iron and Steel Company (ZISCO) to Sinosure dating back to 2003, which had covered the restructuring of an Eximbank loan.

Source: Chen (2020c). The source uses key informant interviews and secondary sources such as Acker et al. (2020).

in one comprehensive procedure (Perera, 2019; UNCTAD, 2020). This would prevent delays in adjusting the debt stock when it is clearly unsustainable and 'kick the can down the road' by modifying conditions on interest, maturity, etc. (the debt flow). A timely and adequate restructuring of debt would avoid needless suffering, as seen, for instance, in Greece in 2009.

With multiple debt defaults looming, involving both low- and middle-income countries (Eichengren, 2020), the current crisis provides an opportunity to seriously re-engage with these proposals. In its recent assessment of the international architecture for resolving sovereign debt, even the IMF, which has adopted a conservative approach since the unsuccess of the Sovereign Debt Restructuring Mechanism (SDRM) ten years earlier,[13] recognises that the Covid-19 pandemic may push the existing system to its limits, with 'deep restructurings, implying large losses for creditors, and potentially involving protracted and difficult negotiations', with implications for financial stability which, in extreme cases, would require additional instruments that could 'only be either of a statutory or financial nature' (IMF, 2020).

13 The SDRM was a statutory mechanism under the IMF and championed by the then deputy managing director of the IMF, Anne Krueger, which ultimately was rejected by both developed and developing countries for different reasons.

4 Special focus: the Regional Comprehensive Economic Partnership

This chapter takes a closer look at the Regional Comprehensive Economic Partnership treaty (RCEP). The agreement, the first multilateral trade deal signed by China, is in line with its aim to promote free trade and expand cooperation with other countries. China is expediting domestic processes to quickly ratify the treaty (Xu, 2020). The agreement itself is important for developing economies that are part of the agreement as they stand to benefit from more liberalised trade. It could also have implications for developing economies excluded from it.

4.1 What is the RCEP and why is it important?

The RCEP was signed by 15 countries in November 2020. It creates a Free Trade Area (FTA) where members agree to reduce and eliminate barriers to trade (World Bank, n.d.). Its signatories include the 10 members of the ASEAN economic community (Brunei-Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and five countries with existing FTAs with the group (Australia, China, Japan, South Korea and New Zealand). While India was originally part of the negotiations, it stepped down in November 2019, noting the need to protect its markets, including manufacturing imports from China and dairy products from New Zealand and Australia (Gaur, 2020). India retained the option to rejoin at a later date. Despite India's absence, the RCEP still covers 30% of the world's GDP.

The agreement simplifies and consolidates ASEAN's existing treaties with several partners. As the treaty consolidates and updates existing agreements, in terms of trade relations it does not introduce new relationships, with the exception of China and Japan and South Korea and Japan, which did not previously have agreements with each other. In terms of scope, ASEAN expanded on the current FTAs it already had. The final agreement contains 20 chapters, 17 annexes and 54 schedules of commitments (ASEAN, 2020). Chapters range from trade in goods, services and investments to the movement of people, rules of origin, customs procedures and trade facilitation. New provisions on emerging forms of trade, such as electronic commerce, have also been added. Environmental standards and labour rights are notably absent.

Many consider the agreement shallow because it does not hold its members to higher standards (akin to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership), offers relatively weak protection of intellectual property rights and allows for carve-outs and concessions in tariff negotiations. Indeed, there are carve-outs for many sensitive products in the agricultural sector. For example, Japan added carve-outs for products such as rice, beef, pork, wheat, dairy, sugar and poultry. Cambodia still has tariffs on vegetables, potatoes and other food products. Laos has tariffs on meat, certain fish and seafood and some vegetables and fruits (MOFCOM, 2020a).

Regardless, the economic impact of the agreement is not negligible. Petri and Plummer (2020) use a computable general equilibrium model of the world economy to simulate the impact of the agreement. Assuming 'business as

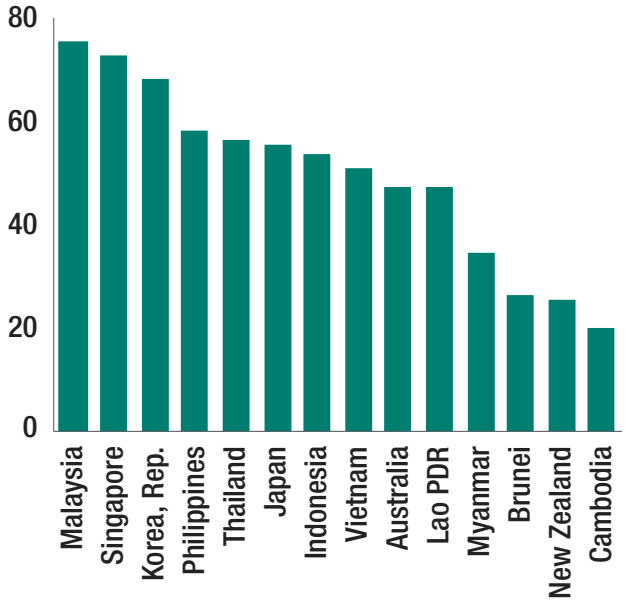
before',[14] the RCEP (without India) is expected to add $186 billion to the world economy annually by 2030 and permanently increase members' GDP by $174 billion, or 0.4% of members' aggregate GDP. China, Japan and South Korea are expected to gain the most (around $156 billion for the three countries), as the RCEP effectively becomes the first agreement these large economies jointly become a party to (ibid.).

4.2 China's importance in the agreement and how fellow members benefit

China's inclusion is key because it expands on the ASEAN–China Free Trade Area. Research shows that the original FTA led to an increase in trade, particularly for agricultural and manufacturing products.[15] RCEP expands on this original FTA and many chapters of the agreement see China increasing its commitments compared to previous bilateral agreements. For example, China's RCEP commitments on services liberalisation cover 22 new sectors (on top of the 100 sectors it committed to when joining the WTO) and raise the level of commitments in 37 service sectors (MOFCOM, 2020b). For the first time in an FTA the agreement also covers topics such as the flow of data and information storage. To caveat, some commitments, namely on goods trade, can follow tariff reduction schedules that extend as far as 20 years. Other countries' commitments face similar timelines.

Expanding FTA coverage can further boost regional trade. The ASEAN region was China's top trading partner in goods in the first three quarters of 2020 (Premier Li, 2020). We look at the Trade Complementarity Index (Figure 16), which shows how well a country's export profile matches another's import profile, and find that many RCEP members have export baskets matching China's import needs. More specifically, more than 50% of the export profiles of Indonesia, Japan, Thailand, the Philippines, South Korea, Singapore and Malaysia match China's import profile. While low-income countries' export profiles are not yet an exact match, they can take advantage of cheaper imports and, further down the line, adjust their capacity to meet the needs of other RCEP countries.

Figure 16 Trade Complementarity Index with China, 2019



Note: For the Trade Complementary Index, a score of 0 means none of the goods exported by one country is imported by the partner country. A score of 100 means export and import shares between the two analysed countries exactly match.
Source: World Integrated Trade Solution (WITS) databank of the World Bank. Trade indicators use underlying UN COMTRADE data

With simplified rules of origin, China has an extra incentive to source intermediate inputs from RCEP members. One key feature of the agreement is that it standardises the 'Rules of Origin' policies among the assortment of FTAs held by the ASEAN bloc. This means that RCEP allows members greater flexibility in how to meet these origin documentation requirements, meaning that manufacturing powerhouses such as China can take advantage of lower labour costs in Cambodia and still satisfy the 40% regional content requirement to take advantage of lower RCEP tariffs to export to other RCEP markets. This should help optimise and stabilise some value chains. Notably, this might

14 Their assumptions for 'business as before' refer to trade relations before the trade war between the US and China.

15 See Yang and Martinez-Zarzoso (2014).

make inputs from other countries outside the agreement, particularly developing economies linked to China's value chains, less competitive.

Provisions on investments are also more open than the '10+1' FTAs and can help facilitate further outward foreign direct investment (OFDI) from China to RCEP members. The chapter on investment includes core protections and guarantees fair treatment for investors. It removes the need for performance requirements (i.e. exporting a given level or percentage of goods or achieving a given level or percentage of domestic content), allows for the free transfer of capital related to the investment, accounts for compensation for losses due to conflict and includes Most-Favoured Nation (MFN) provisions, which means that preferential treatment granted by partner countries to other countries would extend to other RCEP members. All 15 members also use the negative list approach, which liberalises all sectors with the exception of those on the negative list. These improvements in investment provisions can make developing economies that are part of RCEP more attractive to investors. It is also worth noting some potential downsides. For example, compensation for losses due to conflict and MFN provisions can make countries more appealing to investors, but can also entail a financial burden on governments (i.e. foregone taxes due to MFN provisions or big pay-outs for LDCs if they have to compensate investors).

As with any FTA, excluded economies would not be a party to the benefits of the agreement and may suffer trade and investment diversion effects due to a reduction of barriers and preferential market access. Developing economies may find themselves vulnerable to trade diversion effects should the RCEP agreement make trade and investments more economical between members of the group, particularly if supply chains are regionalised. To illustrate, Petri and Plummer (2020) find that, with the signing of the RCEP, India and Taiwan would incur the largest losses ($6 billion and $3 billion annually by 2030) as they are excluded from the agreement.

In general, while the world is expected to reap a net benefit from the RCEP agreement, developing economies are not expected to gain the lion's share. Of Petri and Plummer's (2020) estimate of an additional $186 billion to the world economy, $174 billion accrues to the 15 RCEP members. Only $3.6 billion is expected to go to Vietnam, Cambodia, Laos and Myanmar. Other developing economies such as sub-Saharan Africa are expected to gain just $0.1 billion, while Europe, the Middle East and North Africa is expected to gain $4.2 billion (ibid.).

Developing economies, instead, can gain from the momentum towards increased trade liberalisation. The signing of the RCEP sends a signal that there is enthusiasm for multilateralism and further liberalisation of trade. China is in the midst of several FTA negotiations, some with developing/emerging economies such as Sri Lanka and Peru.[16] In Africa, the China-Mauritius FTA recently came into effect (Nyabiage, 2021).

16 See FTA list at http://fta.mofcom.gov.cn/english/index.shtml.

5 What to watch

This section highlights emerging themes and trends or future developments to note.

Adoption of the RCEP. Developing economies are not set to receive a large share of the initial gains from the signing of the RCEP, but they can better prepare to maximise the longer-term opportunities it presents. We note that the Trade Complementarity Index of countries like Cambodia, Myanmar and Laos with China is relatively low compared to the other signatories (this means their export profile does not necessarily match China's import profile). Such economies may want to adjust their export capacity and specialisation to take advantage of the agreement and more liberalised trade with China.

Beyond improving their export capacity to China as a final market, developing economies in RCEP can take advantage of the 'Rules of Origin' provision, which imposes a '40% regional content requirement' for exports to take advantage of the RCEP-lowered tariffs when exporting to other RCEP members. With this provision, manufacturers in China can relocate sections of their value chain in RCEP countries and still satisfy the 40% requirement and be eligible for lower RCEP tariffs. This makes RCEP countries more attractive to Chinese investors. In contrast, those excluded from the agreement will appear less attractive to Chinese manufacturers as components made there will not contribute to the 40% requirement. Developing economies excluded from RCEP may want to improve their competitiveness in certain value chains to avoid trade diversion.

Regardless, developing economies are expected to benefit from the increased momentum towards further trade liberalisation. Pulse 3 will discuss the China-Mauritius FTA.

Shifts in Chinese lending modalities. While outward FDI and engineering projects remain resilient, the slowing of Chinese overseas loans from the two big policy banks (CDB and Exim Bank), emphasised by newly released data from BU's China's Overseas Development Finance Database, suggests shifts in Chinese overseas lending modalities. Many commentators have used this new data as a sign that the BRI, and China's overseas engagement more broadly, is unravelling. However, our analysis shows a more nuanced picture, as Chinese companies are still developing, building, managing and acquiring projects overseas, and possibly receiving funding from commercial banks beyond the two traditional policy bank lenders, though there is no comprehensive data that reinforces this with certainty. Stylised evidence also points to more financial lending from Chinese commercial banks to local banks (and enterprises) in BRI countries, which is fostering the capacity of these institutions on issues such as due diligence and risk analysis. At the same time, this is helping to institutionalise Chinese banks' business practices, which still differ to a certain extent from those of Western financial institutions (Poenisch, 2019). Additionally, there seems to be a shift towards more balance sheet and project financing, based on green bond issuance data for overseas infrastructure projects from the Climate Bonds Initiative. Thus, it is more likely that the BRI is recalibrating (in size and modalities) its engagement with partner countries, rather than halting abruptly and dismantling 20-plus years of China's 'Going Out' strategy. China will therefore continue to be a development partner to these countries.

Growth in the digital sector. As analysed in Pulse 1 (Tanjangco et al., 2020), Beijing intends to increase engagement in new growth sectors with neighbouring and BRI countries after the pandemic, including in the digital economy. The last year has seen Chinese companies engaged in 17 digital projects in (mainly) BRI countries, for a minimum estimated value of

$1,367 million. The RCEP contains provisions for e-commerce covering topics such as online consumer protection, online consumer information protection and cybersecurity. It will be important to continue monitoring progress in this area in the coming year to see if Beijing's policy intentions drive actual investment and economic growth in developing countries, as well as the implications for global digital governance (Shi-Kupfer and Ohlberg, 2019). Domestically, China has invested exceptional amounts to get ahead in this competition. Since 2019, Huawei has invested $600 million a year for 5G R&D, and has built 14.1 network sites per 10,000 people, compared to 4.7 in the United States and 8.7 in Germany, making it the only country that is ahead of the International Telecommunication Union's (ITU) '2020 5G development schedule'. China has also announced plans to invest $411 billion to upgrade its telecommunications systems to 5G between 2020 and 2030. In quantum technology R&D, China has spent more than ten times the US, estimated at $50 billion. China has submitted 40% of the standards and 32% of the documents in the 5G group of the ISO; filed 30,000 patents in the AI sector – 2.5 times more than the US – in 2008 alone; and has placed Chinese experts in key positions in the three main international standard-setting bodies, the ISO, ITU and the International Electrotechnical Commission (IEC).

This increasing prowess has prompted concerns – mainly from Western countries – around data security, the transfer of ICT practices enabling mass surveillance and dependence on cheap Chinese technology. These issues pose potential risks to developing countries. There are, for instance, reports of Chinese hacker groups spying on the African Union's headquarters in Ethiopia, which was built by Chinese contractors, though Chinese official institutions deny any affiliation to these groups (Satter, 2020). Other examples concern the transfer of China's Social Credit System technology to Venezuela, Ecuador, Ethiopia, Mongolia, Zimbabwe, Malaysia and Brazil (Boucher, 2019). It will be important to monitor both the opportunities and the risks that Chinese digital investments and cooperation generate in developing countries, and whether this expansion is driven by Chinese technological self-reliance, which would entail additional risks for developing countries (see below), or by an increased spirit of collaboration (Shi-Kupfer and Ohlberg, 2019).

China's push towards technological self-reliance. With rising geopolitical tensions between China and the US, leading to sanctions on some of China's leading technology companies, how China progresses with its technological and industrial ambitions should impact global value chains down the line. Advances in innovation and technology will reduce China's reliance on electronics imports and would make its value chains less vulnerable to external shocks. This can present risks and have repercussions for developing economies, particularly those linked to these value chains (i.e. suppliers of components, semi-conductors and equipment). Policy-makers can take note and adjust national development plans to consider a more self-reliant Chinese technological value chain.

Implementation of the 'Common Framework'. Zambia defaulted on its debt as private bondholders refused to suspend an interest payment due in November 2020, citing concerns about debts to China, and announcing that future negotiations are likely to take place against a more adversarial backdrop due to the government decision to default. This illustrates the importance of China's transparent participation in debt restructurings under the G20 Common Framework, and the need for official sector creditors to engage constructively and forcefully with their private sector counterparts to ensure comparable treatment. Doing this effectively will be the most significant challenge faced by the Common Framework. An early test case may be Zambia. At the same time, the case of Zambia highlights the shortcomings of the existing international debt architecture, which may be a cause of concern for other developing economies that may find themselves in debt distress in the future.

Uneven resilience to external headwinds. The pandemic's impact on the trade flows between the 63 BRI countries and China has been uneven, with some countries' exports and imports more resilient than others'. For example, Chinese exports and imports to Southeast and East Asian

BRI members have been quicker to recover and appear more resilient than most. For their part, South and Central Asian BRI countries witnessed large drops in trade early in the year, and import values from the Middle East have declined due to the fall in oil prices. Developing economies that experienced a more significant and persistent drop in Chinese trade may want to stay vigilant and assess goods and value chains that are most vulnerable and limit their exposure to future headwinds. Lessons can perhaps be learned from those countries that have fared better during the pandemic shock. For example, trade with ASEAN countries rebounded more quickly partly because they had more success containing the pandemic, but also because integrated supply chains for products like electronics were more resilient. Indeed, countries that weathered the pandemic better can seize the opportunity to strengthen and develop specific goods trade and value chains.

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Annex 1 Supporting data

Table A1 63 original[i] Belt and Road countries classified by region

Region	Country
Southeast Asia and East Asia	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Vietnam, Mongolia
Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
Middle East and North Africa	Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Palestine, Syria, United Arab Emirates, Yemen
South Asia	Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, Sri Lanka
Europe	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine

i After the BRI was launched in 2013, early texts and policy documents referred to 65 Belt and Road countries, predominantly in Asia, Europe and the Middle East and North Africa, and including China. These countries have since been considered as the original 65 BRI countries and likely to have a special strategic status to Beijing. We consider 63 countries in this report, excluding China and India, which later refused to join the BRI.

Source: Grouped by authors

Table A2 Chinese disrupted projects, January–November 2020

Country	Industry	Chinese party	Value ($ million)	Status	Type of trouble	Notes
Australia	Mining industry	Baotou Iron and Steel Group subsidiary Baogang Group Investment (Australia)	13.53	Blocked	National security concerns	The Foreign Investment Review Board (FIRB) blocked a 13% stake investment to 'safeguard the national interest' and prevent a fire sale of distressed corporate assets in the face of 'intense pressure on the Australian economy and Australian businesses' during Covid-19.
Australia	Mining industry	Yibin Tianyi Lithium Industry	9.7	Withdrawn	Regulatory	Yibin withdrew a FIRB application to buy a 12% stake and announced an amended investment plan of $6.9m for a 9% stake. The acquisition will be exempt from FIRB approval (under 10% stake).
Costa Rica	Transportation, warehousing and postal service industry	China Harbour Engineering Company (CHEC)	465	Delayed	Covid-19	Expansion of Highway 32, a 107km section connecting Costa Rica's capital San Jose to the port city of Limon, will be delayed until March 2021 due to the pandemic. The project has already been delayed multiple times since CHEC signed the $465 million contract in 2013, and only an estimated 17.6% has been completed to date.
Croatia	Building industry	Zhongya Real Estate Company (Zhongya Nekretnine)	2.1	No update	Financial	The Croatian government announced on 3 February that it is reconsidering the sale of Hotel Zagorje to Chinese-backed Zhongya Real Estate Company (Zhongya Nekretnine), which was the sole bidder in June 2019, after it failed to pay the agreed price of $2.1 million despite two deadline extensions. Zhongya Real Estate responded that its failure to make payment is due to the ongoing political situation between China and Hong Kong, which has impeded outbound money transfers, and the company will continue searching for ways to complete the transaction.
India	Transportation, warehousing and postal service industry	Shanghai Tunnel Engineering Corporation (STEC)	148	Halted	Internal	The contract is funded by the Asian Development Bank to build an underground section of the Delhi–Meerut rapid rail transit system. India's National Capital Region Transport Corporation (NCRTC) has indicated that the finalisation of STEC's selection is pending an internal evaluation.
Kyrgyzstan	Transportation, warehousing and postal service industry	China's One Lead One (HK) Trading	275	Cancelled	Community protests	Pulled out of a logistics hub construction project in Kyrgyzstan's Naryn region following protests by hundreds of people demanding the project's cancellation, in the village of At-Bashi on 17 February. The Kyrgyz government envoy to the region stated that only 700–800 people took part in the protests, but protest organisers have claimed that the number of participants exceeded 2,000. The government is expected to issue an official response to protesters' demands.

Table A2 Chinese disrupted projects, January–November 2020 (continued)

Country	Industry	Chinese party	Value ($ million)	Status	Type of trouble	Notes
Myanmar	Electricity, heat, gas and water production and supply	China National Technical Import & Export Corporation (CNTIEC), Hong Kong-listed Vpower	800	Delayed	Covid-19	Chinese-Myanmar consortium – contracted to build three power stations: the 400MW Thaketa power plant, 350MW Thanlyin power plant and the 150MW Kyaukphyu power plant – missed deadlines. Potential fine of $300,000 for each day past the deadline, but according to the Ministry of Electricity and Energy the consortium has not signed a final contract and wants to invoke *force majeure* due to Covid-19.
Nigeria	Transportation, warehousing and postal service industry	China Civil Engineering Construction Corporation (CCECC)	Unknown	Delayed	Covid-19	Nigerian Transport Minister Rotimi Amaechi announced that the 150km Lagos–Ibadan railway project being built by the CCECC has been delayed because most of the Chinese workers who left for the New Year have not yet returned.
Papua New Guinea	Mining industry	Barrick Niugini Limited	Unknown	Not extended	Environmental	Citing environmental and social concerns, the government of Papua New Guinea has refused to extend Barrick Niugini Limited's special mining lease for Porgera gold mine after it expired last August. Barrick Niugini is a joint venture between Canada's Barrick Gold and China's Zijin Mining Group, with each owning 47.5% of the mine.
Romania	Electricity, heat, gas and water production and supply	China General Nuclear Power Corporation (CGN)	Unknown	Cancelled	National security concerns	The Ministry of Economy asked state-owned Nuclearelectrica, which owns the Cernavodă nuclear power plant, to terminate the preliminary agreement that it signed with CGN in May 2019 for the construction and operation of two new reactors. The agreement became uncertain after Romanian President Iohannis and US President Trump met and signed a joint declaration in August 2019 to increase bilateral nuclear energy cooperation. CGN was added to the US Department of Commerce's Entity List about a week prior to the White House meeting due to alleged attempts to 'acquire advanced US nuclear technology and material for diversion to military uses in China'. Romanian media reports cited security concerns as the primary reason behind the termination.

Table A2 Chinese disrupted projects, January–November 2020 (continued)

Country	Industry	Chinese party	Value ($ million)	Status	Type of trouble	Notes
Serbia	Manufacturing industry	Linglong International	Unknown	Halted	Environmental	Serbia's Regulatory Institute of Renewable Energy and the Environment (RERI) announced that Chinese firm Linglong International had not obtained the proper environmental protection documentation before beginning construction of a factory near Zrenjanin. The municipal administration of Zrenjanin and the Vojvodina province authorities did not approach the Regulatory Institute about the project, although they are required to do so by law. Linglong needed both a location permit and an environmental impact assessment before building its tyre factory. The Carska Bara nature reserve is located about 2km away from the under-construction factory, and is a category I protected area.
Uganda	Electricity, heat, gas and water production and supply	Sinohydro	Unknown	Delayed	Contractual	Uganda Electricity Generation Company Ltd. (UEGCL) had accused Sinohydro, the contractor of the Karuma Hydropower Dam (Uganda's largest power project), of failing to comply with international standards and technical specifications on the dam's construction. The issue, which had been in discussion since February, came to a head on 10 October, when President Museveni met with representatives from Sinohydro, the Ugandan Ministry of Energy and UEGCL to discuss the matter. It was reported that Museveni asked the Chinese contractor to fix the defects in the dam before it is commissioned and given to UEGCL to operate and maintain. The dam was expected to be completed and commissioned before 30 November 2020.
Ukraine	Transportation, warehousing and postal service industry	Sinohydro	Unknown	Cancelled	Contractual	The Ukrainian State Agency of Motor Roads (Ukravtodor) terminated a highway construction contract with Sinohydro following an investigation that found violations of the terms of agreement. The firm, working on the 22km M-06 bypass road near Zhytomyr, was said to have been involved in non-compliance with construction standards, resulting in the destruction of the road's concrete surface, and was also behind schedule.

Table A2 Chinese disrupted projects, January–November 2020 (continued)

Country	Industry	Chinese party	Value ($ million)	Status	Type of trouble	Notes
Vietnam, India	Transportation, warehousing and postal service industry	China Merchants Ports	Unknown	Halted	Political	China Merchants Ports' acquisition of shipping terminals through its joint venture with French shipping company CMA CGM has been put on hold by authorities in Vietnam and India. It was claimed that the reason for the delay was local bureaucratic slowdown amid the Covid-19 pandemic, but the move comes amid rising political tensions between China and the two countries. One of the terminals is located at Munda Port in India's Gujarat state, the busiest container port during the April–June quarter in 2020.
Zimbabwe	Electricity, heat, gas and water production and supply	Sinohydro	680	Halted	Financial	Reports indicated that Chinese insurance companies were reluctant to back Zimbabwe's infrastructure projects, with the construction of the $680 million Kunzvi Dam (contracted to Sinohydro) halted after Sinosure pulled out. The move came after a period of indecision by the Zimbabwean government over payment of a $10 million commitment fee for the project, which 'greatly frustrated' Sinosure, stated an official involved in the project. The Zimbabwean government already reportedly owes a substantial amount of debt to Sinosure.

Source: RWR Advisory (2020)

Table A3 Chinese digital projects, January–November 2020

Country	Chinese party	Industry	Value ($ million)	Project
Angola	Huawei	Science, technology, R&D	60	Completing a technology park in Talatona, Luanda, to train local engineers, create new technology and exchange technological experience.
Brazil (non-BRI)	Huawei	Wholesale and retail	Unknown	In partnership with Telefónica, Huawei opened a 5G telecommunications lab in Brasilia to showcase the new technology.
France (non-BRI)	Huawei	Manufacturing	223	Building first European manufacturing plant to produce wireless equipment for 4G and 5G networks for European markets.
France (non-BRI)	Huawei	Science, technology, R&D	Unknown	Opened its sixth French research centre, the Lagrange Research Centre in Paris, which will focus on mathematics and computer science.
Hungary	Huawei	Science, technology, R&D	Unknown	Establishing a research and development centre in Budapest focusing on artificial intelligence (AI),, streaming, image processing, signalling technologies and large distribution systems. The centre will also develop adult education and university collaboration projects in the future.
Kenya	Huawei	ICT	Unknown	Kenya's Safaricom announced it will award Huawei a contract to deploy a 5G network.
Madagascar	Huawei	ICT	42.7	Funded by EximBank, Huawei will deploy a fibreoptic network using its 4G eLTE technology, build data management centres and install video-conferencing technology and surveillance cameras across government agencies in Antananarivo to improve public services and reduce costs within the public administration.
Mongolia	Alibaba	Wholesale and retail	Unknown	Establishing a business centre for the e-commerce community.
MENA region	China Mobile International	ICT	Unknown	Partnering to build 2Africa, a submarine fibreoptic cable that will connect Europe (eastward via Egypt), the Middle East (via Saudi Arabia) and the African continent (via 16 countries) to Asia (via East Africa). The fully funded project is 37,000 km long and will facilitate 4G, 5G and fixed broadband access through carrier-neutral data centres and open-access cable landing stations. Completion date is 2023.
Morocco	CCCC and CRBC	ICT	1,000	CCCC and CRBC become shareholders (35%) in Tangier Tech Management Company (SATT). SATT is responsible for building and managing the Mohammed VI Tangier Tech City, a smart city designed to spearhead the future Tangier region economic hub and set to attract nearly 200 Chinese companies operating in the automotive, aerospace, textile, electronics and machine tool sectors. CCCC and CRBC will contribute towards the estimated $1 billion cost of the project.
Mozambique	Huawei	ICT	Unknown	Huawei signs ICT collaboration agreement with the government of Mozambique.
Oman	Huawei	ICT	Unknown	Huawei Technologies to deliver a range of 5G services in the country, including training 1,000 Omani students in 5G technology.

Table A3 Chinese digital projects, January–November 2020 (continued)

Country	Chinese party	Industry	Value ($ million)	Project
Pakistan	Huawei	Science, technology, R&D	Unknown	Developing Huawei Knowledge Factory project to provide AI, big data and other technology training and solutions to start-ups and Pakistan Mobile Communications Limited employees.
Thailand	Huawei	ICT	Unknown	Huawei to jointly build Southeast Asia's first optical transport network (OTN) to serve multinationals and government agencies with CAT Telecom Public Company.
Thailand	Huawei	ICT	23.2	Huawei to establish third data centre in Thailand to develop the country into a regional hub for digital technology.
UK (non-BRI)	Huawei	Wholesale and retail	Unknown	Huawei Technologies to develop the first fully 5G-enabled shopping centre in the United Kingdom in Camberley, Surrey. It will be a test centre for future 5G connectivity in retail.
UK (non- BRI)	Huawei	Science, technology, R&D	6.1	Five-year strategic partnership for a new innovation centre to provide high-tech products and services, deploy a 5G network and help fund the Imperial Data Science Institute and the Leonardo Centre at the Imperial Business School in London.
UK (non- BRI)	Huawei	Wholesale and retail	12.7	Opening three Huawei stores in London and Manchester during 2020 and 2021.

Source: RWR Advisory (2020)

Annex 2 Constraints and limitations

1. **Alternative data sources explored**
   a. Project-level data from multiple sources was initially explored but faced some inconsistencies with self-reporting. The team would need more time to conduct manual due diligence to ensure accuracy of the data.
   b. Chinese outward direct investment data from official sources only disaggregates at the country and industry level on an annual basis. There are no monthly indicators for this level of detail and the latest reported data is for 2019, before the pandemic.
   c. Other databases, such as the Partnership for Investment and Growth in Africa, were consulted but the difference in scope of the data collected prevented the team from using them.
   d. Loan, trade and investment data from reputable sources was often aggregated at an annual level and available only until a certain year. For example, data from the China Africa Research Initiative at the Johns Hopkins School of Advanced International Studies is reported on an annual basis and available from 2000–2018.
   e. Other official sources such as the OECD International Direct Investment Statistics Yearbook, ITC Investment Map, IMF Coordinated Direct Investment Survey and UNCTAD Foreign Direct Investment online database had certain drawbacks. Data is often collected on an annual basis, not broken down sufficiently (inward and outward flows are collected at the aggregate level and not separated by country), limited in terms of country coverage or published with a considerable lag (only up to 2018 or 2019).
2. **Caveat on the RWR Advisory Belt and Road Monitor database**
   a. The research team consulted several databases tracking Chinese overseas economic activities, weighing strengths, weaknesses and limitations of each (Schwarzenberg, 2020). The RWR Advisory Belt and Road Monitor database was selected due to the frequency of updates (biweekly), which provides the necessary granularity of data to probe changing trends in China's overseas activities. Similar to other databases of its kind, the RWR collects this information mainly through media reports, company press releases, and other relevant online sources, with a light-touch effort to verify the accuracy and consistency over time of such information. As explained extensively in the literature on Chinese overseas economic activities, many of these announcements never materialise in actual investments or disbursement of funds, the amounts may change or some projects may be missed. Thus, while useful in indicating investment appetite and 'real-time trends' of Chinese companies' overseas activities, the monetary value of the investments and contracts in the database should be treated with caution. Moreover, the aggregate value of projects does not add up to the official outward investment and engineering contract data released by China's Ministry of Commerce for obvious reasons. Furthermore, not all activities reported in the database feature contract values; this is especially the case for activities in education, health, culture, sports and entertainment, where activities are reported as 'collaboration or cooperation', which makes it difficult to discern whether it is FDI, portfolio investment, a service contract or a grant. Thus, these activities are likely underreported in the aggregate estimates we present in this tracker.

Annex 3 Data sources

Table A4 Macroeconomic indicators

Indicator	Source	Notes	Link
GDP growth	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
Unemployment rate (%)	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database. We use the Urban Surveyed Unemployment Rate (%) of the NBS.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
Consumer prices (Index, 100 = year before)	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
Government revenue year-to-date	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
Government expenditure year-to-date	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
Merchandise exports	General Administration of Customs and CEIC	The data was cross-checked with the General Administration of Customs to ensure it is the same and pulled from the CEIC database.	http://data.mofcom.gov.cn/hwmy/imexComType.shtml
Merchandise imports	General Administration of Customs and CEIC	The data was cross-checked with the General Administration of Customs to ensure it is the same and pulled from the CEIC database. We use the Urban Surveyed Unemployment Rate (%) of the NBS.	http://data.mofcom.gov.cn/hwmy/imexComType.shtml
Consumer confidence (Index)	CEIC	The team use the Consumer Confidence Index from the NBS and pulled from the CEIC database. The index is drawn from a survey conducted by the China Economic Monitoring & Analysis Center of the National Bureau of Statistics. The index ranges between '0' and '200', where '0' is extremely pessimistic and '200' extremely optimistic. '100' is the critical value between the two.	www.ceicdata.com/en/china/consumer-survey-national-bureau-of-statistics/consumer-confidence-index
Outward investment: non-financial year-to-date	Ministry of Commerce and CEIC	The data was cross-checked with the Ministry of Commerce to ensure it is the same and pulled from the CEIC database.	http://data.mofcom.gov.cn/tzhz/fordirinvest.shtml
Outward investment: non-financial (BRI) year-to-date	Ministry of Commerce and CEIC	The data was cross-checked with the Ministry of Commerce to ensure it is the same and pulled from the CEIC database.	http://fec.mofcom.gov.cn/article/fwydyl/tjsj/?

Indicator	Source	Notes	Link
Dispatched persons abroad year-to-date	Ministry of Commerce and CEIC	The data was cross-checked with the Ministry of Commerce to ensure it is the same and pulled from the CEIC database.	http://data.mofcom.gov.cn/tzhz/fordirinvest.shtml
Industry inputs – cement	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
Industry inputs – pig-iron	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
Industry inputs – crude steel	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
Industry inputs – steel products	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
Industry inputs – aluminium alloy	NBS and CEIC	The data was cross-checked with the NBS to ensure it is the same and pulled from the CEIC database.	https://data.stats.gov.cn/english/easyquery.htm?cn=A01
IHS Caixin PMI	IHS Caixin PMI and CEIC	PMI readings above 50 signify an expansion while readings below 50 signal a contraction. This means a reading significantly below 50 implies a large contraction.	www.markiteconomics.com/Public/Release/PressReleases

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ODI
203 Blackfriars Road
London SE1 8NJ

+44 (0)20 7922 0300
info@odi.org

odi.org
odi.org/facebook
odi.org/twitter