



Brief: Investments in the Chinese Belt and Road Initiative (BRI) in the first half of 2020 during the Covid-19 pandemic

by Dr. Christoph Nedopil Wang

Director Green Belt and Road Initiative Center

Beijing, July 30, 2020

This brief is produced by the Green Belt and Road Initiative Center (Green BRI Center) of the International Institute of Green Finance (IIGF) at the Central University of Finance and Economics (CUFE) in Beijing. The brief aims to provide a vehicle for publishing preliminary results on topics related to the Belt and Road Initiative (BRI) to encourage discussion and debate. The findings, interpretations, and conclusions expressed in this paper are entirely those of the author(s) and should not be attributed in any manner to the IIGF, to its affiliated organizations, or to members of its Board of Executive Directors. Citation and the use of material presented in this brief should take into account this provisional character.

For information regarding Green BRI Center Briefs, please contact the Director Dr. Christoph NEDOPIL WANG at info@green-bri.org.

Please quote as:

Nedopil Wang, Christoph (July 2020): “Investments in the Chinese Belt and Road Initiative (BRI) in the first half of 2020 during the Covid-19 pandemic”, Green BRI Center, International Institute of Green Finance (IIGF), Beijing (doi: 10.13140/RG.2.2.14360.21766).

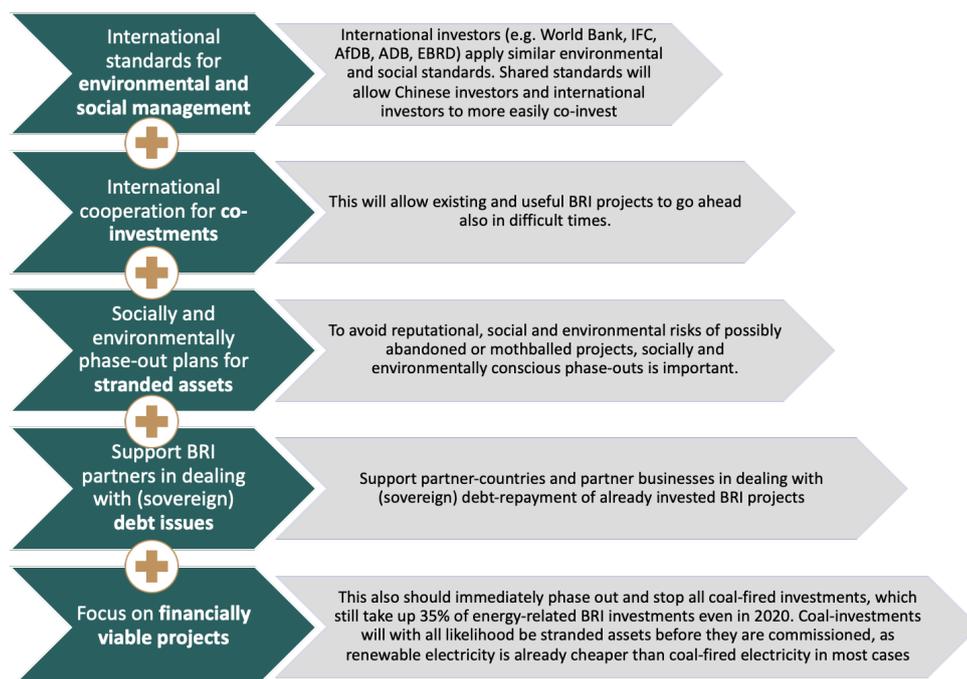
© 2020 Green Belt and Road Initiative Center / International Institute of Green Finance
All rights reserved

Investments in the Chinese Belt and Road Initiative (BRI) in the first half of 2020 during the Covid-19 pandemic

First six months of 2020 BRI investments show highest share of renewable energy investment, amid a 50% decline in total BRI investments

Key recommendations

1. Focus on **projects that are financially sustainable**. This also should immediately phase out and stop all coal-fired investments, which still take up 35% of energy-related BRI investments even in 2020. Coal-investments will with all likelihood be stranded assets before they are commissioned, as renewable electricity is already cheaper than coal-fired electricity in most cases
2. Support partner-countries and partner businesses in dealing with (sovereign) debt-repayment of already invested BRI projects
3. **Increase cooperation for BRI projects with international partners** to allow existing and useful projects to go ahead also in difficult times.
4. **Increase use of common standards for environmental and social risk management (ESMS)**, as international investors (e.g. World Bank, IFC, AfDB, ADB, EBRD) all apply similar standards. This will allow Chinese investors and international investors to more easily co-invest
5. **Require socially and environmentally conscious phase-out plans** for non-performing investments in order to avoid reputational, social and environmental risks of possibly abandoned or mothballed projects.



Overall BRI investment trends

New data released by the American Enterprise Institute¹ show that most countries of the Belt and Road Initiative (BRI) have experienced a decline in Chinese investments in the first half of 2020. Overall investments in the BRI were USD 23.4 billion in the first six months of 2020, dropping by about 50% from USD 46 billion invested during the first six months

of 2019 (and dropping by 60% compared to the first six months of 2018). 2020 BRI investments were the slowest of any 6 months period since the BRI had been announced in 2013.

Chinese investments in non-BRI countries slowed even faster from 21 billion USD in the first 6 months of 2019 to 4.4 billion USD in the first 6 months of 2020 (see Figure 1).

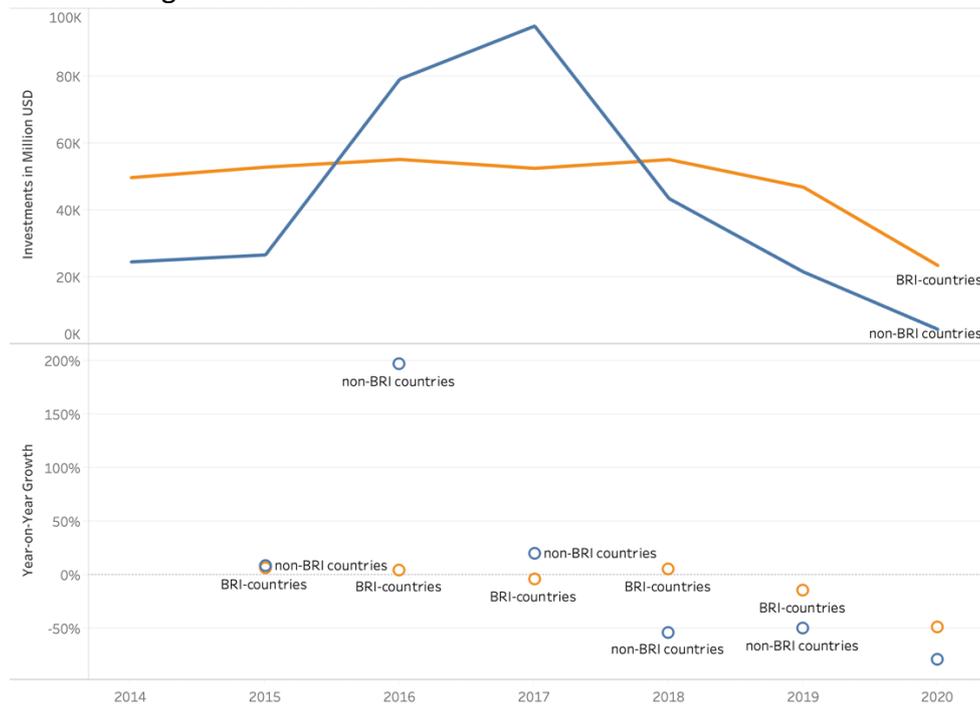


Figure 1: Chinese investment in the Belt and Road Initiative (BRI) countries and non-BRI countries 2014-2019 within the first six months of each year (top: total BRI investments in million USD; bottom: year-on-year change in %) (Source: Green BRI Center, Data: AEI)

BRI investment trends in different sectors

BRI investments in the first half of 2020 went into all sectors. Energy investments

accounted for 37.6% of total investments, transport-related investments for about 30%. This is a continuation of a focus on infrastructure investments in the BRI (see Figure 2).

¹ Scissors Derek, "China Global Investment Tracker 2020," China Global Investment Tracker

(Washington: American Enterprise Institute, July 2020), <http://www.aei.org/china-global-investment-tracker/>.

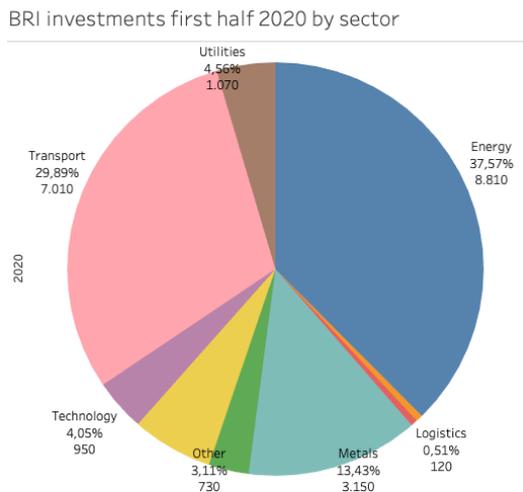


Figure 2: Sectoral share of Belt and Road Initiative (BRI) investments in the first half of 2020 (Source: Green BRI Center, Data: AEI)

Compared to the previous years, most sectors saw a decline in BRI investments in the first half of 2020 (see Figure 3). The strongest decline in BRI investments was in energy investments, which dropped from USD 19.7 billion in the first half of 2019 to USD 8.8 billion in the first half of 2020. Investments in metals increased slightly from USD 2.7 billion to USD 3.2 billion. Health-related investments, which could be seen as a part of the health-silk road, have declined in the first half of 2020 to USD 130 million, down from USD 160 million in the comparison period 2019.

BRI investments 2014-2019 within the first six months of each year

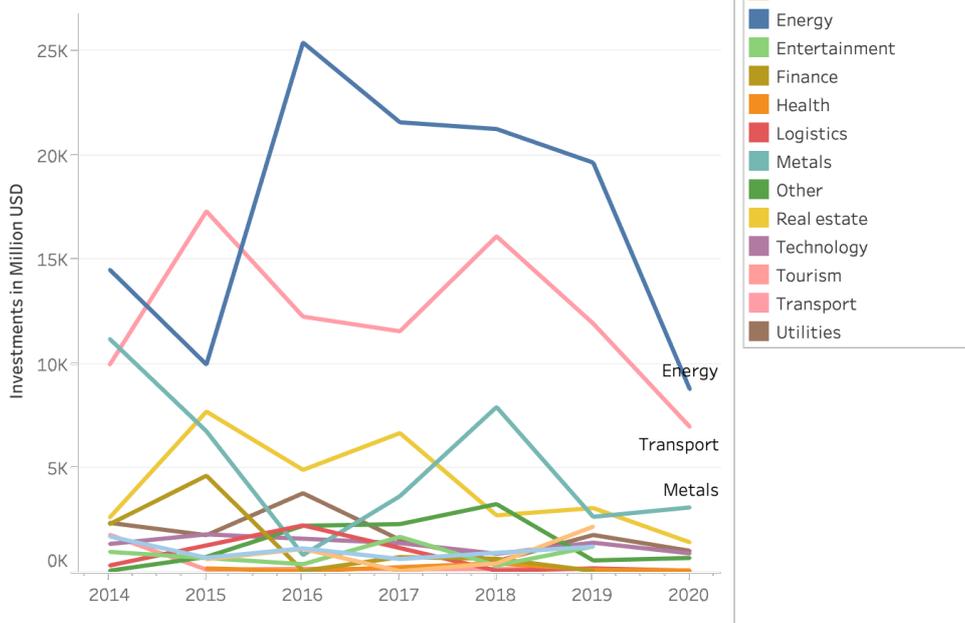


Figure 3: Investments in the Belt and Road Initiative 2014-2020 within the first six months of each year by sector (Source: Green BRI Center, Data: AEI)

Regional analysis of Belt and Road Initiative investments

The decline in BRI investments was not even across all regions. While West Asia and East Asia saw the sharpest drops in investments, Europe saw slight increases

and South America strong increases (from a low level in 2019) in BRI related investments.

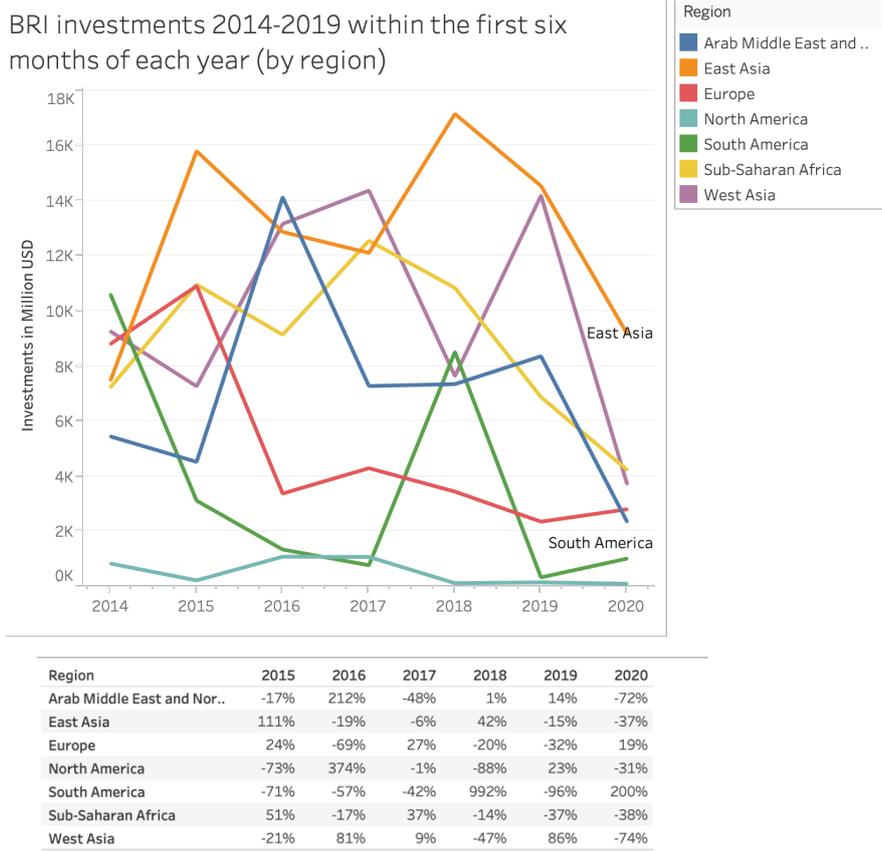


Figure 4: BRI investments 2014-2019 within the first six months of each year by region (top: investments in USD; bottom: year-on-year change) (Source: Green BRI Center, Data: AEI)

In Europe, it was the two BRI countries Bosnia and Serbia and in South America it was the BRI country Peru that contributed to an increase in BRI related investments.

Looking at specific investments in these countries, the data shows that transport-related investment, particularly a 780

Green and non-green energy BRI investments

Looking at BRI energy investments, 2020 saw a relative increase of non-fossil fuel

million USD investment by China Ocean Shipping (COSCO) in Peru's Chancay port (out of a total of about USD 2 bn investment)² and a USD 800 million by Zijin Mining to expand its Serbia portfolio³ were responsible for the increases of BRI investments in these regions.

related energy investments. While in the first 6 months of 2019 56% of energy investments were fossil fuel-related, the share dropped to 42%.

² Hellenic Shipping News, "COSCO SHIPPING Ports PERU (Chancay) Project Official Transfer Ceremony and COSCO SHIPPING Ports Chancay PERU S.A. Promotional Event Were Officially Held in Peru," Hellenic Shipping News, May 16, 2019, <https://www.hellenicshippingnews.com/cosco-shipping-ports-peru-chancay-project-official-transfer-ceremony-and-cosco-shipping-ports->

chancay-peru-s-a-promotional-event-were-officially-held-in-peru/.
³ Radomir Ralev, "China's Zijin to Invest \$800 Mln in Serbia in 2020 - Report," SeeNews, January 14, 2020, <http://seenews.com/news/chinas-zijin-to-invest-800-mln-in-serbia-in-2020-report-683382>.

2020 was the first half year in the BRI, when non-fossil fuel related energy investments (including large hydropower) dominated Belt and Road

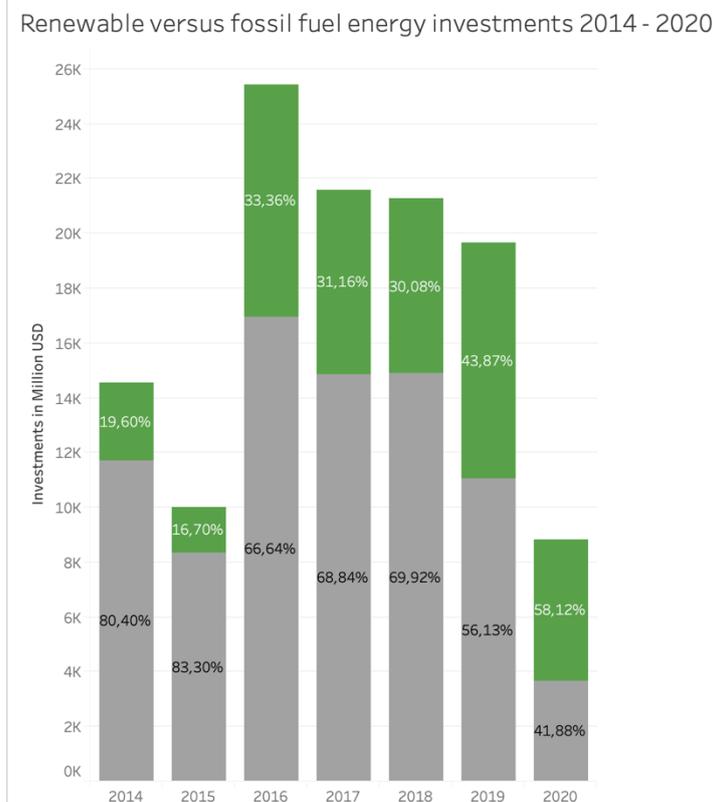


Figure 5: Renewable and non-renewable energy investments in the Belt and Road Initiative (BRI), 2014-2020 within the first six months of each year (Source: Green BRI Center, Data: AEI)

The two countries with the highest energy-related investments were (see Figure 6):

- **Pakistan** with an USD 1.93 billion investment in hydropower by Power Construction Group (PowerChina), possibly the Dasu Hydropower Project ⁴,
- **Vietnam** with an USD 310 million in solar power by PowerChina,

possibly the Dau Tieng project ⁵, as well as USD 2.1 billion in coal-fired power plant, possibly the Nam Dinh 1 Thermal Power Plant together together with ACWA Power and Taekwang Power Holdings (Korea) ⁶

⁴ NS Energy Business, "Dasu Hydropower Project, Indus River, Kohistan, Pakistan," NS Energy Business, 2020, <https://www.nsenerybusiness.com/projects/dasu-hydropower-project/>.

⁵ Cukia M, "45MW Solar Power Project in Vietnam Completed.," *Construction Review Online* (blog), July 2, 2020,

<https://constructionreviewonline.com/2020/07/45mw-solar-power-project-in-vietnam-completed/>.

⁶ NS Energy Business, "Nam Dinh 1 Thermal Power Plant, Hai Hau, Nam Dinh, Vietnam," *NS Energy Business* (blog), 2020, <https://www.nsenerybusiness.com/projects/nam-dinh-1-thermal-power-plant/>.

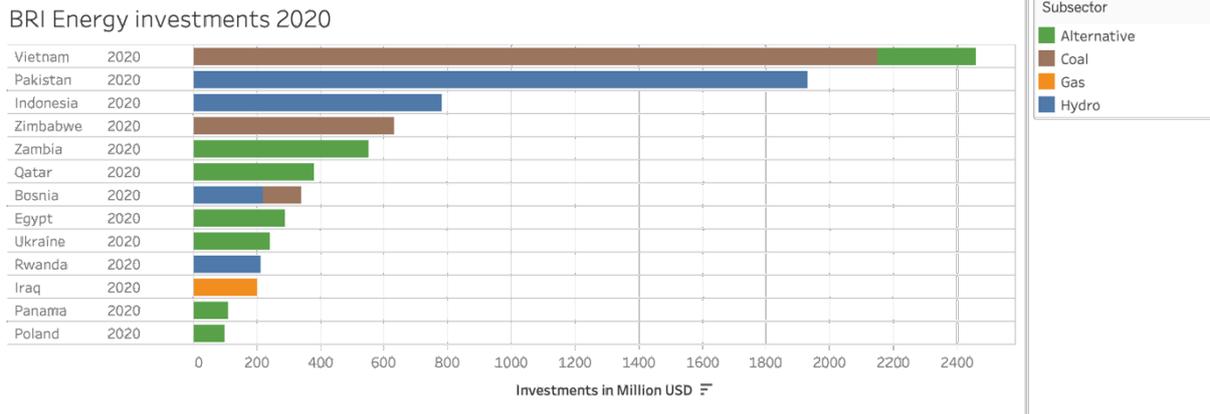


Figure 6: Energy investments by type and Belt and Road Country in 2020 (Source: Green BRI Center, Data: AEI)

BRI investment compared to international foreign direct investment (FDI) trends

According to UNCTAD’s World Investment Report 2020, global FDI flows will decrease by up to 40% in 2020, from their 2019 value of \$1.54 trillion (see Figure 7).

This would bring global FDI below \$1 trillion for the first time since 2005. In

addition, FDI is projected to decrease by a further 5% to 10% in 2021 and to initiate a recovery in 2022, the report says.

“The outlook is highly uncertain. Prospects depend on the duration of the health crisis and on the effectiveness of policies mitigating the pandemic’s economic effects,” said UNCTAD Secretary-General Mukhisa Kituyi ⁷.

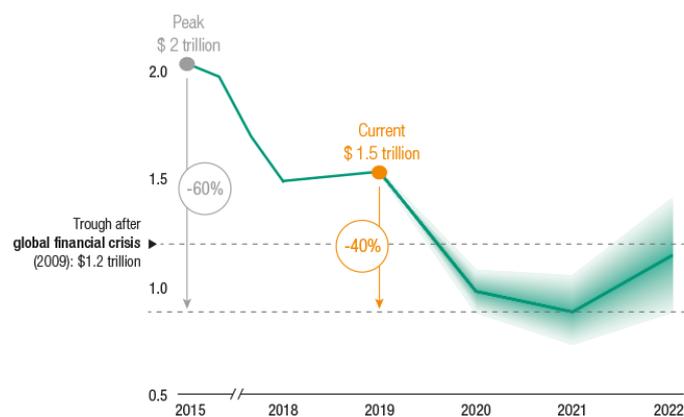


Figure 7: World Foreign Direct Investment Outlook 2020 (Source: UNCTAD)⁸

⁷ United Nations Conference on Trade and Development (UNCTAD), “World Investment Report 2020,” World Investment Report (United Nations Conference on Trade and Development (UNCTAD), 2020),

https://unctad.org/en/PublicationsLibrary/wir2020_en.pdf.

⁸ United Nations Conference on Trade and Development (UNCTAD).

Outlook for Belt and Road Investments

The Covid-19 crisis is a risk for all investors. In its report, UNCTAD elaborated on five interrelated issues that could see a further decline in all types of cross-border investments:

- FDI is slowing as ongoing projects are stuck in implementation (e.g. due to lock-downs)
- With less FDI, less projects will be completed that could earn money

for investors, which in turn leads to less money being reinvested

- Global investment restrictions (e.g. due to political reasons) can further add to the problems
- Investors are tightening their budget due to broader economic recessions
- Investors and companies are aiming to nearshore to increase supply chain resilience and thus avoid investing (far) abroad

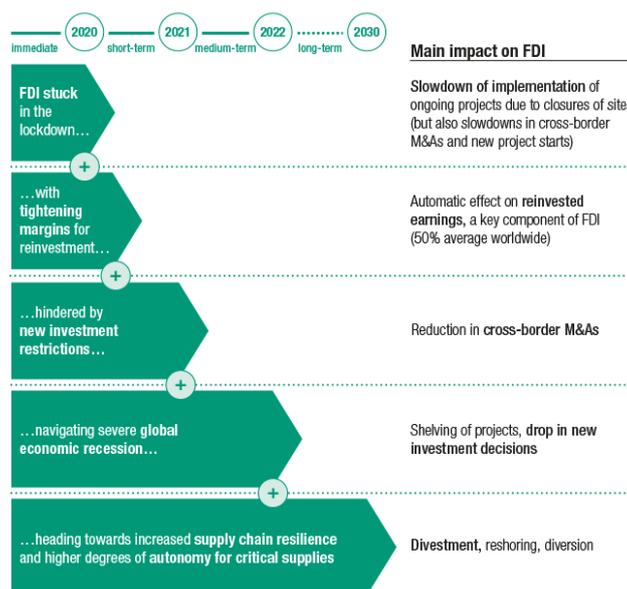


Figure 8: Drivers that impede Global Investment Outlook (Source: UNCTAD)⁹

Next steps for successful Belt and Road Initiative investments

Chinese investments into the Belt and Road Initiative countries in the first 6 months of 2020 have declined by 49% relative to the first six months of 2019, while Chinese investments in non-BRI countries have declined by 80%. Chinese overseas investments could pick up in the second half of 2020. In order to ensure a continued success of the BRI, the following recommendations should be considered:

1. Focus on **projects that are financially sustainable**. This also should immediately phase out and stop all coal-fired investments, which still take up 35% of energy-related BRI investments even in 2020. Coal-investments will with all likelihood be stranded assets before they are commissioned, as renewable electricity is already cheaper than coal-fired electricity in most cases
2. Support partner-countries and partner businesses in dealing with

⁹ United Nations Conference on Trade and Development (UNCTAD).

- (sovereign) debt-repayment of already invested BRI projects
3. **Increase cooperation for BRI projects with international partners** to allow existing and useful projects to go ahead also in difficult times.
 4. **Increase use of common standards for environmental and social risk management (ESMS)**, as international investors (e.g. World Bank, IFC, AfDB, ADB, EBRD) all apply similar standards. This will allow Chinese investors and international investors to more easily co-invest
 5. **Require socially and environmentally conscious phase-out plans** for non-performing investments in order to avoid reputational, social and environmental risks of possibly abandoned or mothballed projects.

Appendix: About the Belt and Road Initiative (BRI)

The Belt and Road Initiative (BRI) China's main international cooperation and economic strategy. The BRI is also known as the "One Belt One Road" (OBOR), the "Silk Road Economic Belt and the 21st-century Maritime Silk Road" or just the "New Silk Road". Its Chinese name is 一带一路 (yi dai yi lu). It was announced by Chinese President Xi Jinping in Kazakhstan in October 2013.

The construction of the Belt and Road Initiative is anchored in the Chinese constitution.

Goals of the Belt and Road Initiative – and how to make it green

The BRI has officially "five goals":

- policy coordination,
- facilities connectivity,
- unimpeded trade,
- financial integration, and
- people-to-people bonds.

Over the past years, the emphasis on developing a "green" and "high-quality" Belt and Road Initiative have accelerated. The Ministry of Environmental Protection (now Ministry of Ecology and Environment) had published the Guidance on Promoting Green Belt and Road already in 2017. The document stresses the relevance of the "ecological civilization", "green development concepts", "principles of resource efficiency and environmental friendliness" within the five goals (find more policy documents for the Belt and Road Initiative here).

During the 2019 Belt and Road Forum, green and sustainable development of the Belt and Road Initiative took center stage, together with debt sustainability. Accordingly, the Ministry of Ecology and Environment initiated the BRI International Green Development Coalition (BRIGC) . With its 10 working groups, the BRIGC aims to support green development, e.g. in regard to

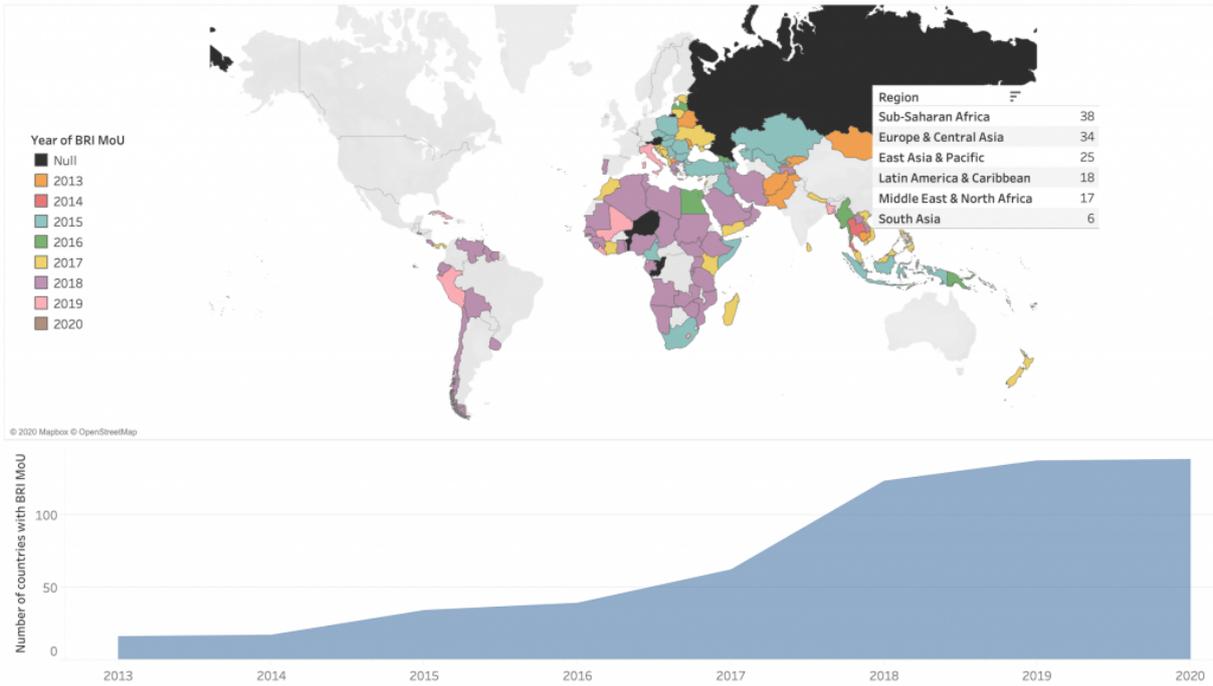
- green finance
- green transport
- green innovation
- green urbanization
- green standards

Countries of the Belt and Road Initiative

According to official information, in March 2020, 138 countries and 29 international organizations had signed cooperation agreements for the BRI. In order for countries and organizations to "join" the BRI, China and the respective country or organization sign a Memorandum of Understanding (MoU). There are a number of countries listed in official Chinese media (yidaiyilu.gov.cn), which did not confirm having signed a full MoU for cooperating under the Belt and Road Initiative framework. These include for example Russia, Austria, Congo D.R., Dominica, Niger, and Benin.

The following BRI map shows the list of countries that have signed MoUs or are said to be members of the BRI. The list only includes countries where signature of BRI MoUs have been publicly recorded in English news or on the official Chinese BRI government website www.yidaiyilu.gov.cn.

Countries of the Belt and Road Initiative



You can find a more detailed list of countries of the Belt and Road Initiative (BRI) [here](#).

References

- Cukia M. “45MW Solar Power Project in Vietnam Completed.” *Construction Review Online* (blog), July 2, 2020. <https://constructionreviewonline.com/2020/07/45mw-solar-power-project-in-vietnam-completed/>.
- Derek, Scissors. “China Global Investment Tracker 2020.” China Global Investment Tracker. Washington: American Enterprise Institute, July 2020. <http://www.aei.org/china-global-investment-tracker/>.
- Hellenic Shipping News. “COSCO SHIPPING Ports PERU (Chancay) Project Official Transfer Ceremony and COSCO SHIPPING Ports Chancay PERU S.A. Promotional Event Were Officially Held in Peru.” Hellenic Shipping News, May 16, 2019. <https://www.hellenicshippingnews.com/cosco-shipping-ports-peru-chancay-project-official-transfer-ceremony-and-cosco-shipping-ports-chancay-peru-s-a-promotional-event-were-officially-held-in-peru/>.
- NS Energy Business. “Dasu Hydropower Project, Indus River, Kohistan, Pakistan.” NS Energy Business, 2020. <https://www.nsenergybusiness.com/projects/dasu-hydropower-project/>.
- . “Nam Dinh 1 Thermal Power Plant, Hai Hau, Nam Dinh, Vietnam.” *NS Energy Business* (blog), 2020. <https://www.nsenergybusiness.com/projects/nam-dinh-1-thermal-power-plant/>.
- Ralev, Radomir. “China’s Zijin to Invest \$800 Mln in Serbia in 2020 - Report.” SeeNews, January 14, 2020. <http://seenews.com/news/chinas-zijin-to-invest-800-mln-in-serbia-in-2020-report-683382>.
- United Nations Conference on Trade and Development (UNCTAD). “World Investment Report 2020.” World Investment Report. United Nations Conference on Trade and Development (UNCTAD), 2020. https://unctad.org/en/PublicationsLibrary/wir2020_en.pdf.

Disclaimer about the data from the AEI China Investment Tracker

The AEI China Investment Tracker is published bi-annually by the American Enterprise Institute, an American think tank. It has been tracking Chinese overseas investments since 2005 and has established itself as one of the most cited and reliable sources for analyzing Chinese overseas investments. It tracks Chinese overseas investments with a value of more than USD 100 million, but does not disclose its data sources. It is one of several data providers for Chinese overseas investments (besides e.g. Refinitiv, Bloomberg) that aims to bring more transparency in Chinese business activities. More information about the AEI can be found here: www.aei.org

The author, the Green BRI Center or the International Institute of Green Finance have no relation to the American Enterprise Institute and only use the data for analyses.

About the author

Dr. Christoph NEDOPIIL WANG is the Founding Director of the Green Belt and Road Initiative Center and a Senior Research Fellow at the International Institute of Green Finance (IIGF) of the Central University of Finance and Economics (CUFE) in Beijing, China. Christoph is a member of the Belt and Road Initiative Green Coalition (BRIGC) of the Chinese Ministry of Ecology and Environment. He has contributed to policies and provided research/consulting amongst others for the China Council for International Cooperation on Environment and Development (CCICED), the Ministry of Commerce, various private and multilateral finance institutions (e.g. ADB, IFC, as well as multilateral institutions (e.g. UNDP, UNESCAP) and international governments. Christoph holds a Master of Engineering from the Technical University Berlin, a Master of Public Administration from Harvard Kennedy School, as well as a PhD in Economics.

About the Green Belt and Road Initiative Center

The Green Belt and Road Initiative Center (Green BRI Center) is a leading research center that provides research, analyses and information on the policies, economics, environment, sustainability and green finance of the Belt and Road Initiative (BRI) – also known as Silk Road Initiative.

Through our work, we strive to be the global leader for independent and research-based policy and action to build an environmentally-friendly and green Belt and Road Initiative that has zero emissions, protects biodiversity, and provides better livelihoods for people. As such we focus on specific areas:

- sustainable infrastructure
- sustainable transport
- renewable energy
- biodiversity finance
- green innovation
- green finance policy

The Green BRI Center was founded in 2019 and is part of the independent think tank International Institute of Green Finance (IIGF) in Beijing, China

About the International Institute of Green Finance (IIGF)

The International Institute of Green Finance (IIGF) is a leading think tank on green finance in China. It was established in 2016 by Prof. Wang Yao. The Institute has been involved in designing the green finance system in China and has been working within China and internationally on researching and harmonizing standards e.g. for green bonds, green credit, green insurance, green funds. With its staff of about 40 people, IIGF is engaged in numerous private sector, public sector and academic projects. It is funded by a donation from Tianfeng Securities, project work and research grants (e.g. from the UK government, the European Union, KR Foundation).



Contact us for more detailed analysis of the Belt and Road Initiative (BRI), its investments, trends and policies:

Green Belt and Road Initiative Center
International Institute of Green Finance, CUFU
62 South College Road, Haidian District, Beijing, China, 10081

中央财经大学绿色金融国际研究院
北京市海淀区学院南路 62 号, 10081

+86 10 622 88768
info@green-bri.org

www.green-bri.org // <http://iigf.cufe.edu.cn>