European Research Studies Journal
Volume XXIV, Issue 2, 2021

pp. 1019-1036

China's Economic Statecraft: The Role of the Belt and Road Initiative

Submitted 16/03/21, 1st revision 05/04/21, 2nd revision 03/05/21, accepted 25/05/21

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Abstract:

Purpose: *The research aims to examine China's economic activities around the world from the broad perspective of the country's economic security. The authors begin with explaining the concept of economic statecraft and then deal with the analysis of the Chinese overseas economic expansion.*
Design/Methodology/Approach: *The main tools used to achieve the objectives mentioned above include a literature analysis, logical reasoning and statistical research.*
Findings: *The last decades have revealed a new pattern in global economic cooperation. The Belt and Road Initiative turned out to be a successful instrument supporting China's economic growth and deepening international economic cooperation and interdependence. The BRI project allows China not only to secure access to supplies and markets but also strengthen its soft power and gives the possibility to build a powerful network of interconnected countries, independent from the Western powers, willingly cooperating with China in every field.*
Practical Implications: *The research results are helpful to realise the extend and importance of the Belt and Road Initiative in China's economic statecraft and indicate potential fields for future international cooperation under the BRI. As close economic cooperation under the BRI can have significant consequences for China and all countries covered by this project, all partners have to be aware of the complexity of their involvement in this initiative and the pros and cons of such interdependence.*
Originality/Value: *The Belt and Road Initiative is a novel form of broad international cooperation. Thus it deserves special attention and research. The research concerns an economic dimension of the Belt and Road Initiative and provides a comprehensive analysis of China's worldwide economic expansion.*

Keywords: *China, economic statecraft, Belt and Road Initiative, trade, foreign direct investment, economic security.*

JEL codes: *F14, F21, F4, F5.*

Paper type: *Research article.*

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1. Introduction

The impressive economic growth of China, despite the recent slowdown and the pandemic effects, remains an undeniable example of success for both developed and developing countries. On its way of economic growth, China has been successfully using various economic instruments, adjusting them to the current needs and capabilities. Since 2013, China's economic statecraft has been enhanced by a new and useful mechanism – the Belt and Road Initiative (BRI) – aimed at allowing continued economic growth and increasing China's economic capabilities.

China's economic power is impressive. It is the second-largest economy behind the U.S. (US$20.544 trillion), worth US$13.608 trillion in 2018, and the gap between China and the U.S. has never been smaller. Back in 2013, China overtook the U.S. in terms of GDP PPP, as a result of which in 2018 China's economy was worth US$25.399 trillion versus US$20.544 trillion of the American economy. China is the world's largest exporter, with 14.57% share (2018) of global exports, well ahead of the United States (8.34%), and second-largest importer with 9.07% of global imports (World Bank, 2020). China's constant trade surplus has enabled it to run up the world's largest foreign exchange reserves of US$3.1 trillion (Feb 2020) (CEIC, 2020). China is also home to the world's largest banks, as it holds the top four slots in the top 10 largest world banks (Johnston, 2019). In 2019 Fortune Global 500 ranking three Chinese companies (Sinopec Group, China National Petroleum, State Grid) were in the top 10 of the world's largest companies (Fortune, 2020).

As China's national wealth constitutes great leverage to influence other nations, within the last years China has been investing in the development of its own global value chains (GVCs) (Kostecka-Tomaszewska and Czerewacz-Filipowicz, 2019, 482; Kostecka-Tomaszewska and Krukowska, 2020). The process was strongly enforced by the new mechanism – BRI, through which China has been investing on all continents, acquiring valuable assets needed for economic development and technological advancement. However, the process was recognised as a threat by American and European competitors, afraid of losing their traditional strategic superiority based on the post-war reality and Western dominance (Kostecka-Tomaszewska and Krukowska, 2020). Seeking to achieve the goal, China aptly uses various instruments of economic statecraft in its strategy of development. One of them is the Belt and Road Initiative, officially announced in 2013 by the President of China Xi Jinping.

Without any doubt, BRI is currently the foreign and – specifically – economic policy tool of primary importance, used by China to reach the political objectives in the international arena as well as overcome developmental barriers and ensure the country's economic security. Therefore, it should be considered in greater detail how BRI affects the economic security of China understood as "the ability of the economy

to achieve a relatively fast and sustainable economic growth and create favourable conditions for raising the level of broadly understood well-being of citizens under free trade and free flow of factors of production, especially the capital in the form of foreign direct investment" (Kostecka-Tomaszewska, 2018a; Kostecka-Tomaszewska, 2018b). The question is particularly important with the expected economic consequences of the pandemic.

In recent years, BRI has become a useful mechanism supporting China's economic expansion and political engagement in all regions of the world. Therefore, one of the key issues that has to be explored is the question of scope and nature of China's global expansion under new circumstances created by the development of the Belt and Road Initiative. The research aims to examine China's economic activities around the world from the broad perspective of the economic security of the country. The authors begin with explaining the concept of economic statecraft and then deal with the analysis of the Chinese overseas economic expansion.

2. Literature Review: What is Economic Statecraft?

Economic statecraft has different names, though the scope of the concept remains alike. Western scholars have been using the term economic statecraft or geoeconomics, mostly in the field of political studies or political economy studies. The Chinese academics prefer the term economic diplomacy used also by Western colleagues (Heath, 2016; Glaser, 2012; Wang 2004). More pejorative names chequebook diplomacy or debt-trap diplomacy – were coined recently by Western countries regarding China's strategy of financial cooperation with developing partners (The Economist 2018; The Economist 2017). There are also narrower terms, such as business diplomacy or corporate diplomacy, which – in fact – constitute a part of economic statecraft.

According to K. J. Holsti, statecraft are "organised actions governments take to change the external environment in general or the policies and actions of other state in particular to achieve the objectives that have been set by policy makers" (Rosenau, Thompson, and Boyd 1976; Malmgren, 1991). In mid 1980s, David Baldwin specified that economic statecraft are "governmental influence attempts relying primarily on resources that have a reasonable semblance of a market price in terms of money" (Baldwin, 1985). According to Baldwin, state and non-state actors are "possible targets of influence attempts" and the attempts are directed towards changes in behaviour, "beliefs, attitudes, opinions, expectations, emotions and/or propensities to act." (Baldwin, 1985). Yet, narrowing the range of activities (tools) to resources only, and only those that can be priced, does not correspond to reality, where there are also other – priceless – assets. Therefore, Robert D. Blackwill and Jennifer M. Harris offer a wider definition, arguing, that geoeconomics is "the systematic use of economic instruments to promote and defend national interests, and to accomplish geopolitical

objectives" (Blackwill and Harris, 2016). James Reilly echoes, that economic statecraft is an old practice of deploying economic resources to "exert influence in pursuit of foreign policy objectives" (Reilly, 2013). William J. Norris continues, that economic statecraft should be defined as the "state's intentional manipulation of economic interaction to capitalise on, reinforce, or reduce the associated strategic externalities" (Norris, 2016). Norris argues, that the results of the states' manipulation come in the form of externalities in different fields, with the security field coming first. His arguments are backed and widened by Joanne Gowa and Edward D. Mansfield, who underline that economic interactions generate externalities in the field of economics, security, environment or technology, though the problem of security historically was a dominant field of economic expansion (Gowa and Mansfield, 1993). On the other hand, Cooper *et al.* (2015) consider economic diplomacy as "decision-making and negotiations in core issues affecting international economic relations", however without the use of economic leverage or the promotion of exports or investment (Cooper, Heine, and Thakur, 2015).

States are exposed to various forms of economic pressure made by state and non-state actors (Keohane and Nye, 2001). Focusing only on states and state companies would ignore the existence of other actors, crucial to international economic cooperation. In the twenty-first-century context, the whole variety of actors involved in international economic activities cannot be neglected (Knorr, 2016). Therefore the states and state-owned enterprises (SOEs) – traditional actors undertaking international economic activities – are accompanied by various private enterprises, such as multinational corporations (MNCs). Obvious links between the state and companies identified Robert Gilpin, who confirmed, that economic actors (multinational corporations) prosper due to an international environment created and maintained by the dominant powers (states) (Gilpin, 1975).

Economic statecraft is not a simple commercial activity. Historically, mercantilism practiced by global economic powers gave them the possibility to establish economic ties with dependent territories (colonies) in order to exploit their resources. In a globalised world, there are more possibilities of economic interactions between partners than plain trade or investment. Nowadays, with the process of globalisation and technological development, states have developed other instruments, though traditional ones are still in use. The range of the tools varies, depending on authors. According to Baldwin, the acts of economic statecraft are attempts to influence the pattern of international trade through manipulating legal and political framework in which trade takes place (Baldwin, 1985). Reilly discusses foreign aid, direct investment, trade, and monetary policies (Reilly, 2013). According to Blackwill and Harris, economic instruments of statecraft include trade policy, investment policy, economic and financial sanctions, cyber, aid, financial and monetary policy, and energy and commodities (Blackwill and Harris, 2016).

Through economic statecraft, the states manipulate the actors in order to achieve strategic goals by prohibiting some actions and promoting the others. Standard instruments most commonly used as a deterrent include embargoes and sanctions, in some cases also freezing the assets, boycotts of goods or producers, inspections, and restrictions on imports. On the other hand, positive incentives encompass investment, loans and aid, subsidies, or trade agreements, prompting more intensive cooperation.

An important feature is the ability of the states to impose their choices on economic actors and thus to enforce the behaviour they find necessary for their strategic choices. The process of globalisation has led to vast international cooperation and growing interdependence of actors involved. A prominent role was taken by enterprises, especially within the developing GVCs (Scherer and Palazzo, 2011). According to OECD (2011), through international trade and investment, MNCs contribute to the efficient use of capital, technology and human and natural resources, facilitate the transfer of technology among the regions of the world, promote the development of human capital and creating employment opportunities. Along with companies, the role of the governments has also increased, as they provide support to open new foreign markets for trade and investment (Bergeijk, 2012).

As new challenges demand new approach and understanding, the companies should overcome the limitations imposed by the traditional organisation of government affairs and expand their focus on the political and social environment (Henisz, 2016). The concept of corporate diplomacy or business diplomacy emerged within international management literature and describes the expanded political and social roles of medium and small enterprises (MNEs) in the global economy (Westermann-Behaylo, Rehbein, and Fort, 2015). Westermann-Behaylo, Rehbein, and Fort (2015) view corporate diplomacy as an umbrella concept encompassing political corporate social responsibility, international relations, diplomacy, and peace studies. The core issues cover international financial arrangements, negotiations of trade, investment, development and international environmental policies (Cooper, Heine, and Thakur 2015) run by a variety of actors, states, MNCs, SOEs, governmental and non-governmental organisations.

Due to the ongoing globalisation process and deepening international competition, there were important changes in the structure of the global economy, global production and trade (Gereffi, 2014; Gereffi, 2011). As a large emerging market, China plays significant and diverse roles in GVCs (Gereffi and Sturgeon, 2013). China has been developing its infrastructure as a key element linking its national economy to global GVCs, thus allowing economic development and growing participation in the global economy (WTO and IDE-JETRO, 2011, 28). The rise of China is partly a consequence of the fact, that the Chinese government was doing much more than simple keeping macroeconomic stability and promoting trade (Gore, 2000).

Instead it actively promoted investment abroad through the "going out" strategy or the Belt and Road Initiative. As the recent changes in global GVC structure lead to a higher degree of regional sourcing, with suppliers located closer to markets, and China wants to eliminate the risk of single-source relationships and secure access to critical resources, the Chinese SOEs develop and increase their market shares through the BRI projects by mergers and acquisitions of European and Asian enterprises. Infrastructure investment in Asia, Europe, and Africa further connect China to its regional supply chains (Mayer and Milberg, 2013) and guarantee economic stability. The Mercator Institute for China Studies assumes, that "in the long term, China wants to obtain control over the most profitable segments of global supply chains and production networks" (Wübbeke *et al.* 2016).

3. China's Economic Strategy in the 21st Century

According to David Shambaugh, ever since the late 1800s, in China there was a prevailing belief that diplomacy should serve the "overriding goal of economic and national development." (Shambaugh, 2013). As a rising global power, China has been developing different measures in order to strengthen its economic and political power abroad, and economics has played a central role in China's foreign policy and development strategy.

Domestically, economic development is crucial to uphold the legitimacy of the Chinese Communist Party and internal stability (Yu, 2018). The external dimension comprises securing the possibility of economic expansion abroad, with access to natural resources and foreign markets indispensable for future economic growth (Krukowska, 2019). Other aspects of economic capabilities include the possibility of generating effects on others in order to pursuit strategic priorities in the international system (Norris, 2016).

In its development strategy, China uses the same instruments as other global powers in order to achieve strategic goals. Just as the U.S. after WWII, China is using the policy of free trade to shape the international political and economic order of the twenty-first century (Holsti, 1995). China sets up development banks (AIIB, NDB) and funds global projects (BRI), in exchange for natural resources supplies or contracts awarded to Chinese construction companies. Its strategy relies mostly on state economic enterprises, though private companies are also involved.

Reasons for China's economic statecraft are of pure mercantilist nature. China is far from being philanthropic, and it seeks profits, wants to secure investment, expand its influence, get access to markets or new technologies. The "going out" campaign, launched in the late 1990s, aimed at making Chinese SOEs global actors through foreign direct investment. The Belt and Road Initiative introduced in 2013 deals with economic slowdown and overcapacity in the Chinese economy (Kostecka-

Tomaszewska, 2018a). Other ambitious programmes include *Made in China 2025* aimed to upgrade the country's manufacturing sector (The State Council of the People's Republic of China, 2017).

Economic statecraft depends on the resources available. China has an advantage because the state controls the economy to the extent that outweighs other countries. The government policies are implemented by state-owned enterprises and policy banks, such as China Development Bank (CDB), China Eximbank and Asian Infrastructure Investment Bank (AIIB). Policy banks finance and support infrastructure development (especially CDB), foreign direct investment, trade as well as aid agreements (China Eximbank, AIIB).

China's economic statecraft is one of a kind. China does not want to be an invisible partner and it prefers eye-catching investments, prestige projects, incomparable in scope and scale. In 2017, China Development Bank, one of the policy lenders, already had a bigger book of overseas assets than the World Bank (The Economist, 2017). Other development banks followed. In bilateral cooperation China's largesse is striking: it has increased its spending for international organisations, such as the UN, joined the fight against poverty by financing the World Bank's International Development Association (IDA) and other international development institutions, such as the African Development Bank. China cooperates with the IMF to bail-out countries (e.g. Ukraine, and Egypt) and with individual states (Venezuela, Russia, and Laos) (The Economist, 2015). During the COVID-19 pandemic, China has extended debt relief to developing countries worth a combined US$2.1 billion under the G20 framework, thus becoming the most generous donor in the group (Reuters, 2020).

Despite increased state control, in 2018 alone, Chinese firms invested €17.3 billion in the European Union, 82% of it in mergers and acquisitions (Hanemann, Huotari, and Kratz, 2019). The amount is impressive despite the fact, that it was a decrease from €37.2 billion in 2016. China's rapid economic growth followed by economic expansion, has triggered much debate and anxiety abroad. European and American companies fear China's uncomparable financial resources and its hunger for success. As China develops "indigenous innovation" strategy, its firms take over foreign technology companies in order to acquire know-how, compress innovation cycles, and develop indigenous supply chains for particular sectors (ITIF, 2017). The sectors of utmost interest are: industrial products and machinery, health and biotech, information and communications technology, electronics, and vehicle manufacturing (Braw, 2019). Strategic collaboration with top world companies within GVCs has led to economic upgrading, meaning moving from low-value to relatively high-value activities in GVCs (Gereffi 2005).

China's gains from economic cooperation are seen as externalities for its adversaries. The gains include forced technology transfers through mandatory joint ventures or

supply dependence on China in sensitive areas (e.g. pharmaceuticals). New threats to national security involve the 5G construction network in the E.U. member states, as Huawei is the most important bidder. The fears of the Financial Times, that there will be tighter scrutiny on Chinese bids to buy overseas tech assets in future (Feng and Lucas, 2017) were confirmed by the March 2019 Communication "EU-China – A strategic outlook" and the adoption of screening mechanisms to ensure the security of 5G networks (European Commission, 2019). Developing countries suffer the loss of domestic industries strategic to development, as South Africa suffered the contraction of the textile industry.

As an "aggressive practitioner of economic statecraft", China often uses it as leverage on partner countries (Allison, 2020). Furthermore, reducing interactions would be harmful for partners, as they are more exposed than China. Besides, China's economic statecraft is used mostly on bilateral basis, though the PRC uses as leverage financial institutions and international organisations it has created, as the AIIB bank. Close cooperation on a one-to-one basis guarantees privileged treatment and loyalty, even to the limits of profitability.

Until 2013, China was using its economic statecraft without a coherent grand strategy (Reilly, 2013, 4). Xi Jinping has given the Chinese foreign policy a new dimension though, and the BRI is a visible sign of changes. The Belt and Road Initiative is a long-term strategy of economic cooperation with foreign partners on all continents. China intends to develop road and rail infrastructure in order to allow the increased flow of trade and investment, as well as civil infrastructure to stimulate the economic growth of the most vulnerable partners. The initiative was inaugurated in 2013 by president Xi Jinping, and eventually attracted over 130 countries from all continents. the importance of the strategy is shown by the fact, that in 2017 BRI was incorporated into the Chinese Communist Party's constitution.

4. Overview of Chinese Economic Expansion Around the World

In recent years, BRI, comprising the land-based Silk Road Economic Belt as well as the sea-based 21st Century Maritime Silk Road and Polar Silk Road, has become an important instrument promoting international cooperation and China's global expansion. The initiative proposed by Xi Jinping (Xi, 2014) provides the framework for political dialogue between countries along the Silk Routes, bottlenecks removals and infrastructure development across engaged countries, trade and investment facilitation, financial integration as well as people-to-people contacts development (NDRC, MOFA and MOFCOM, 2015). The COVID-19 pandemic forced the scope of cooperation within the BRI to be extended to the health sector, as China was sharing the diagnostic systems and digital health monitoring solutions with partner countries (Mardell, 2020).

However, a prerequisite for successful implementation of the Chinese-led initiative must be political will and commitment of potential participants, because this enables deeper economic integration and regulation of all issues of key importance. That is why China is actively promoting its idea across the whole world, stressing that this is a win-win collaboration. The initiative has met with a favourable response from many countries, especially the less-developed ones hoping that the influx of Chinese capital will benefit their economies (Kostecka-Tomaszewska and Czerewacz-Filipowicz, 2020). The manifestation of this is the fact that number of participants and the geographical scope of the project are constantly expanding.

Since the BRI announcement, China has turned into an extremely active participant in international relations. The country has become a significant trading partner for many nations as well as a growing source of foreign direct investment (FDI) and the money required for infrastructure construction, especially on the Eurasian continent and Africa. However, its economic expansion is visible worldwide. China remains not only a trading power but also belongs to the group of the largest importers and exporters of foreign capital in the form of FDI (World Bank, 2020; UNCTAD, 2020). In 2018, the value of China's trade in goods amounted to US$4,623 billion, including exports reaching US$2,487 billion, while imports – US$2,136 billion. As a result, China took the first position in global exports and the second in imports of goods with shares of 12.7% and 10.7% respectively. China achieved a trade surplus of US$359 billion. Most countries in the world have a trade deficit with China (World Bank, 2020).

In terms of exports, currently the United States is China's largest trading partner, with 19.2% share of total China exports (the value of US imports from China in 2018 amounted to almost US$480 billion). The next places in the ranking are occupied by Hong Kong (12.1%), Japan (5.9%), South Korea (4.4%) and Vietnam (3.4%). In turn, in terms of imports, China's largest partners in 2018 were South Korea (9.6%), Japan (8.4%), Taiwan (8.3%) and the United States (7.3%) (ITC, 2020).

When analysing the structure of Chinese international trade, it can be observed that four groups of goods dominate the commodity structure of China's exports. The most important commodity groups in exports include machinery and mechanical appliances as well as electrical and electrotechnical equipment (43.9%), textiles and textile articles (10.7%), base metals and articles thereof (7.5%), and miscellaneous manufactured articles e.g. furniture, toys, games and sports requisites, etc. (6.8%). Furthermore, products of the chemical or allied industries (5.5%), as well as vehicles, aircraft, vessels and associated transport (7.7%) are also an important part of exports. In 2018, electrical machinery and equipment as well as parts of thereof with a 26.6% share in total exports, were the most important types of goods exported by China, followed by machinery and mechanical appliances (17.2%), furniture (3.9.%), as well as plastics or rubber and articles thereof (3.2%).

In turn, in the commodity structure of China's imports the largest share is held by machinery and mechanical appliances, as well as electrical and electrotechnical equipment (33.9%), mineral products (23%), products of the chemical or allied industries (7.3%), vehicles, aircraft, vessels, and associated transport (5.4%), base metals and articles thereof (5%), as well as optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments, and apparatus, clocks and watches, musical instrument (5%) (ITC, 2020).

It should be noted that a few years ago, the Chinese economy was associated mainly with cheap products of low quality and low value added, neither technologically advanced. Moreover, industries such as textiles, footwear and toys were considered to be typically Chinese export goods. However, currently China offers its trading partners a wide range of products both in terms of industry and level of technological advancement. China has become a global competitor not only in the production of clothing, footwear or toys, but also strengthens its position in sectors requiring advanced knowledge and innovation. From a producer and exporter of cheap and low-tech goods, China has been gradually shifting towards the production of innovative goods (Tarnawski, Zaleski, and Kostecka-Tomaszewska, 2016).

At present, the Chinese economy is an integral part of GVCs. The country is using imported goods and services for domestic production, which is then exported. It is also an important supplier of intermediate goods used by trading partners to produce goods for exports. Until recently, China's role was reduced to the role of a supplier of intermediate goods and cheap labour force in production networks managed by international corporations from highly developed countries. Currently, however, China is using BRI to create its own GVCs covering countries lying along the Silk Routes (Kostecka-Tomaszewska and Czerewacz-Filipowicz, 2019). China has been moving up the global value chains as its economy has become more competitive than complementary to the economies of high-developed countries.

It should be emphasised, that foreign direct investment is an essential element of Chinese-led GVCs' construction. China has become an increasingly active global investor and BRI gives an opportunity to intensify its global expansion. Currently, Chinese companies have worldwide presence by the end of 2018, its investors had established 42,000 enterprises in 188 countries. At the same time, China's FDI stock reached US$1.98 trillion, with the year on year increase of US$173.23 billion, and three times higher than the 2013 level. In 2018, China's outward investment was largely concentrated in Asia and Latin America. The top 20 recipients have attracted US$1816.86 billion, accounting for 91.7% of all Chinese capital invested worldwide in the form of FDI. To date, the largest recipient is Hong Kong (55.5%), followed by Cayman Islands (13.1%), British Virgin Islands (6.6%), the United States (3.8%), Singapore (2.5%), Australia (1.9%), United Kingdom (1%), the Netherlands (1%) and Luxembourg (0.8%) (MOFCOM, NBS and SAFE, 2019).

According to the Chinese statistics, the amount of China's FDI stock in countries along BRI equalled to US$172.77 billion at the end of 2018, which accounted for 8.7% of the total stock of outward foreign direct investment. Singapore with US$15.09 billion of FDI stock originating from China remained the largest recipient of the Chinese FDI among the BRI community, followed by the Russian Federation (US$14.21 billion), Indonesia (US$12.81 billion), Malaysia (US$8.39 billion), and Laos (US$9.31 billion) (MOFCOM, NBS and SAFE, 2019).

However, it should be noticed, that the official Chinese statistics refer only to the initial destination of China's outward foreign direct investment. Considering the fact, that – for legal and tax reasons – many Chinese investments have been directed through tax havens or offshore financial centers (e.g. Hong Kong, the Cayman Islands, the British Virgin Islands, the Netherlands or Luxembourg), official statistics may not fully reflect the final destinations of China's FDI. Furthermore, the ownership structure of many transnational corporations has become increasingly complex and investment can be realised by entities registered in different countries, within the enterprise structure, before they reach their final destination. In such cases, the identification of Chinese-owned companies remains a challenge.

Table 1. *Sectoral distribution of China's outward FDI stock, 2013-18 (US$ billion)*

Industry	2013	Share (%)	2018	Share (%)
Agriculture, forestry, animal husbandry and fishery	7.18	1.1	18.77	0.9
Mining	106.17	16.1	173.48	8.8
Manufacturing	41.98	6.4	182.31	9.2
Production and supply of electricity, heat, gas and water	11.20	1.7	33.69	1.7
Construction	19.45	2.9	41.63	2.1
Wholesale and retail trade	87.65	13.3	232.69	11.7
Transportation, storage and postal services	32.23	4.9	66.50	3.4
Hotels and catering services	0.95	0.1	4.40	0.2
Information transmission, software and IT services	7.38	1.1	193.57	9.8
Financial Services	117.08	17.7	217.90	11.0
Real estate	15.42	2.3	57.34	2.9
Leasing and business services	195.73	29.6	675.47	34.1
Scientific research and technical services	8.67	1.3	44.25	2.2
Water conservancy, environmental and public facilities management	0.34	0.1	3.13	0.2
Resident services, repairs and other services	7.69	1.2	16.72	0.8
Education	0.20	0.0	4.76	0.2
Health and social work	0.06	0.0	3.00	0.2
Culture, sports and entertainment	1.10	0.2	12.66	0.6
Total	660.48	100.0	1982.27	100.0

Source*: Statistical Bulletin of China's Outward Foreign Direct Investment (2019).*

Globally, the Chinese capital had spread in all economic sectors by the end of 2018. Almost 85% (US$1,675 billion) of China's FDI was invested in six sectors, namely leasing and business services (34%), wholesale and retail trade (11.4%), financial services (11%), information transmission, software and IT services (9.8%), manufacturing (9.2%), and mining (8.75%) (Table 1).

According to the Chinese statistics, the industries which received China's FDI in each region were not only highly concentrated, but also varied between the continents (Table 2).

Table 2. *Top five industries of China's FDI stock on each continent, 2018 (US$ billion)*

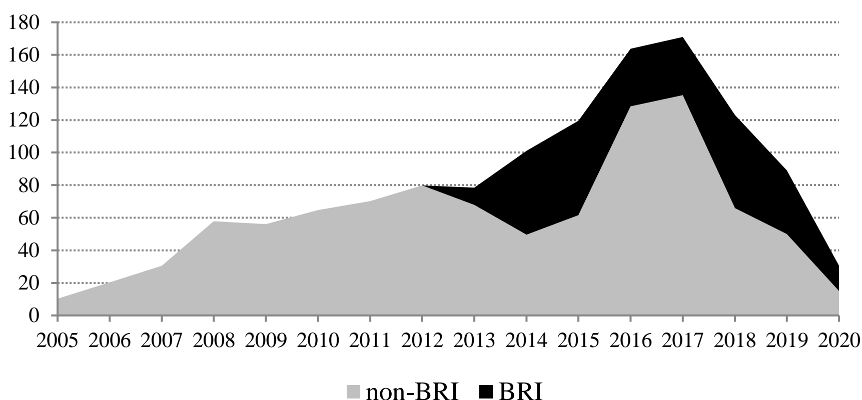
Continent	Industry	Stock	Share (%)
Asia	Leasing and business services	553.13	43.7
	Wholesale and retail trade	158.33	12.4
	Financial services	153.25	12.0
	Manufacturing	110.48	8.7
	Mining	78.72	6.2
	Subtotal	**1057.91**	**83.0**
Africa	Construction	14.76	32.0
	Mining	10.48	22.7
	Manufacturing	5.97	13.0
	Financial services	5.07	11.0
	Leasing and business services	2.97	6.4
	Subtotal	**39.25**	**85.1**
Europe	Manufacturing	33.43	29.6
	Mining	22.82	20.2
	Financial services	17.58	15.6
	Leasing and business services	11.41	10.1
	Wholesale and retail trade	5.59	5.0
	Subtotal	**90.83**	**80.5**
Latin America	Information transmission, software and IT services	155.96	38.3
	Leasing and business services	88.67	21.8
	Wholesale and retail trade	59.30	14.6
	Financial services	25.69	6.3
	Mining	23.10	5.7
	Subtotal	**352.72**	**86.7**
North America	Manufacturing	20.36	21.1
	Mining	17.08	17.7
	Financial services	13.16	13.7
	Leasing and business services	11.20	11.6
	Information transmission and IT services	6.92	7.2
	Subtotal	**68.72**	**71.3**
Oceania	Mining	21.27	48.2
	Real estate	4.35	9.9
	Leasing and business services	4.08	9.2
	Financial services	3.15	7.1
	Manufacturing	2.72	6.2
	Subtotal	**35.57**	**80.6**

Source: *Statistical Bulletin of China's Outward Foreign Direct Investment (2019).*

The main reason that prompts the Chinese companies to take up activities abroad is to provide access to raw materials (Africa, Asia, Latin America), gain access to new markets and create their own production and distribution centers abroad (Asia, Europe, North and Latin America), as well as gaining access to advanced technologies and known brands through the acquisition of well-established companies (Europe and North America). In addition, China is interested in infrastructure-related activities around the world. Chinese overseas activities and profile of its outward FDI are in line with long-term development strategies, such as BRI and Made in China 2025.

As the Belt and Road Initiative was initiated in 2013, the first investments were made soon after. According to China Global Investment Tracker, in the period 2013-20 there were 459 investments under the Belt and Road Initiative at the total value of US$302.7 billion. While China seemed to emphasise the role of BRI in cooperation with particular regions, most of the outbound foreign investment was actually made outside the project (Figure 1).

Figure 1. *China's global ODI flow in 2005-20 (US$ billion)*

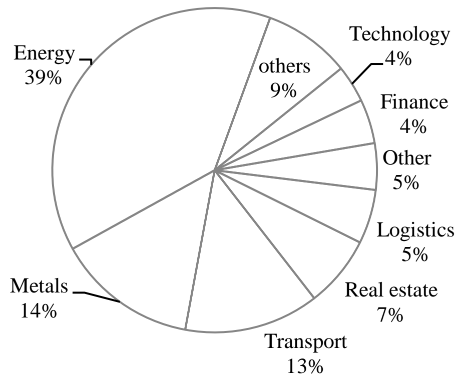


Source: *Calculations based on China Global Investment Tracker.*

Meanwhile, the share of BRI projects in China's total outbound direct investment in 2013-20 reached 24 per cent, while BRI construction deals accounted for 56% of all contracts of Chinese firms. Breakdown of sectoral investment flow shows that China is interested primarily in access to natural resources, energy resources in particular, but also wants to ensure the undisturbed flow of goods at a global scale (Figure 2).

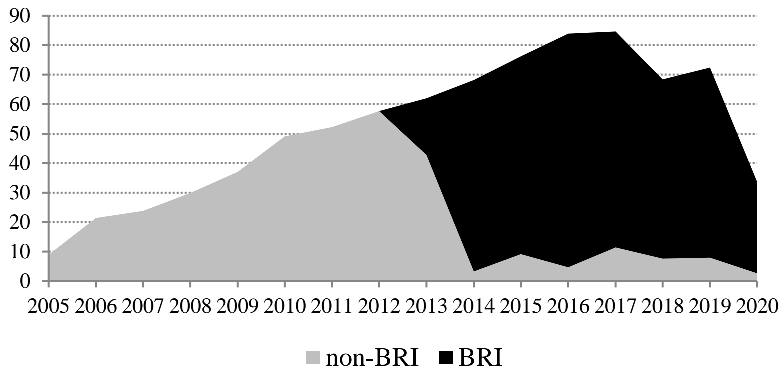
Concurrently, the value of construction contracts commissioned by partner countries and executed by Chinese companies under the BRI scheme was much higher and reached US$963.4 billion (Figure 3). We must not forget that construction contracts are very beneficial for China, which not only uses its labour and materials but also - often - provides financial support to cover the costs in the form of loans granted by policy banks.

Figure 2. *China's BRI global investment in 2013-20 (%)*



Source: *Calculations based on China Global Investment Tracker.*

Figure 3. *China's global construction contracts in 2005-20 (US$ billion)*



Source: *Calculations based on China Global Investment Tracker.*

These numbers indicate that - despite promises - China cautiously increases its economic engagement under the BRI initiative. There seems to be little chance of improvement in the nearest future, as the pandemic has significantly limited China's investment expansion opportunities. However, the Belt and Road Initiative is a long-term project with ambitious goals that need more time to be achieved. Given China's financial capabilities and global ambitions, we can be sure that the PRC will not stop at what it has achieved so far.

5. Conclusions

The last decades have revealed a new pattern in global economic cooperation. China's economic growth has been a spectacular success, giving the Middle Kingdom

resources to enhance its role in the international system. The Belt and Road Initiative turned out to be a successful instrument, helpful in supporting the process of China's economic growth along with deepening international economic cooperation and interdependence, thus transforming economic reliance into a political one. The global BRI project allows China not only to secure access to supplies and markets, and strengthen its soft power, but also gives the possibility to build a powerful network of interconnected countries, independent from the Western powers, willingly cooperating with China in every field. The Initiative has great potential for growth, which was confirmed by extending cooperation to health care sector during the COVID-19 pandemic.

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