

# Delivering the Belt and Road:

## Decoding the supply of and demand for Chinese overseas development projects

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# Executive Summary

As the volume of its overseas investments has quantifiably grown over the last decade, the Belt and Road Initiative (BRI) has become synonymous in both media coverage and policy discourse with the expanding global footprint of the People's Republic of China (PRC). In the *Delivering the Belt and Road* report, we examine how the supply of and demand for PRC-financed development projects have evolved in relation to the launch of the BRI in 2013. The results provide helpful feedback for Beijing to consider as its development cooperation efforts evolve in future, for countries in the Global South to weigh the trade-offs of PRC-financed development projects, as well as for the broader field of external partners to explore complementary contributions.

How have Beijing's funding priorities changed in the era of the BRI? Using a dataset of over 13,000 Chinese state-financed development projects between 2000 and 2017, we compared financing for projects that are substantively BRI-like in their intent, regardless of when they occurred or whether they involved a BRI member country. This removes the noise of branding and focuses instead on the substantive emphasis on connectivity in various forms, providing a comprehensive look beyond infrastructure projects alone.

The PRC's interest in investing in BRI-themed projects began early, attracting a larger proportion of total PRC financing relative to other activities as early as 2004, expanding rapidly till 2008, and subsequently stabilizing at a ratio of 70:30 for BRI-themed versus other projects. BRI-themed projects tend to be larger-dollar and financed on less generous terms, indicating that the PRC expects these activities to generate a clear economic return. Non-BRI projects tend to be smaller-dollar and financed on more generous terms, perhaps indicating the PRC's desire to win over a country's leaders or public to appreciate its generosity and the benefits of partnering with Beijing. The 2013 launch of the BRI membership bloc did not noticeably alter Beijing's supply of overseas development projects in terms of what it funded, who it funded, and with what terms. In this respect, the BRI was more of a rebranding, than a change in strategic direction.

How have citizen and leader attitudes in the Global South towards Beijing evolved with the BRI? For every PRC-financed overseas development project, there are two sides to the equation, the perspective of the financier, but also that of their counterparts in the

Global South. We triangulated data points from three surveys. The *Gallup World Poll* (2005-2021) assesses citizen perceptions of the PRC's senior leadership. AidData's *Listening to Leaders Survey 2020*, and *2022 Perceptions of Chinese Overseas Development Survey of African leaders* (BRI Perceptions Survey) take the pulse of government, civil society, and private sector leaders across the Global South to understand the demand side of PRC-financed development projects.

Citizen attitudes towards both the PRC and U.S. leadership have become more polarized, with growing disapproval and waning uncertainty, amid intensified great power competition rhetoric. Citizens in BRI member countries view Beijing more favorably, but this appears to be less a consequence of joining the bloc, than a predisposition of those likely to join anyway. Nevertheless, our global leader survey points to the PRC's growing prominence among those who make and shape decisions about their country's development. Fifteen percent of respondents from 113 countries reported receiving advice or assistance from Beijing in 2020, the vast majority found the PRC to be influential in shaping their policy priorities and helpful in implementing policy reforms, though they were uncertain as to whether its influence was a net positive.

The African continent (both Sub-Saharan and North Africa) stands out for the high share of BRI member countries, the large inflows of PRC-financed development projects, and the 54 percent of its leaders who reported working with Beijing in our 2020 global survey. Our *BRI Perceptions Survey* helps us glean deeper insights on how African leaders assess China as a development partner, consider the downstream outcomes of PRC-financed development projects (economic, environmental, governance), as well as their impressions of the BRI and China's support to their countries amid COVID-19.

Most African leaders say the PRC is their preferred partner for infrastructure and the U.S. for governance. Although they generally prefer their own development model, Beijing comes out ahead of Washington among those who look abroad for inspiration. In weighing the pros and cons, African leaders view Beijing as offering fewer conditions, in closer alignment with their priorities, and providing better financial conditions than other partners, but at the cost of less local capacity and transparency. African leaders do see trade-offs in PRC-financed development, citing positive economic returns, negative environmental outcomes, and mixed results in governance, with higher corruption but better services. The majority of African leaders view Beijing more

positively in light of its contribution to the COVID-19 response in their countries. They are more ambivalent to the BRI as a membership bloc and are uncertain of its purpose, but recognize the connectivity focus of BRI projects.

What do Beijing's revealed priorities and the Global South's demand foreshadow about the future of assistance? This report has shown that the BRI is best understood as a formalization and scaling up of a strategy that Beijing had been telegraphing for years, in how it spends money and engages with partners, rather than a strategic pivot. By extension, Beijing's next iteration as a global development financier, is likely to continue this negotiated, incremental process of experimentation, adapting in response to partner country, competitor, and domestic constituencies' criticism.

The PRC should be mindful of its comparative advantage in facilitating connectivities (physical, digital, people-to-people) in the eyes of its partner countries. It should be wary of strategic overreach in rebranding itself as a global leader in promoting good governance and the rule of law, unless it is prepared to address key vulnerabilities in its assistance: negative environmental spillovers, worsening corruption, lack of transparency, and limited local capacity development. Tackling these issues could be beneficial for all parties, as they present risks for Beijing itself, not only its partner countries. Solutions could include: (1) rolling back non-disclosure clauses and opaque procurement processes which incentivize corruption; (2) twinning Chinese and Global South companies on joint bids for BRI projects to encourage greater local capacity and spillover benefits; (3) following through on pledges to integrate more robust environmental risk assessments in projects; and (4) helping partner countries conduct stronger cost-benefit analyses of new debt-financed development projects.

In parallel, Western development partners should avoid mimicking the PRC, attempting to present themselves as getting into the infrastructure financing game as a better alternative to BRI. Instead, they should invest their development dollars and technical expertise to be responsive to what leaders say they want: strengthened capacity for public financial management, reduced opportunities for corruption, and help in making responsible decisions about debt-financed development. This may offer the most effective route for Western democracies to curb negative spillover effects from PRC-financed development projects, in ways that play to their strengths and expertise.

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## Acronyms

BRI	Belt and Road Initiative	LTL	Listening to Leaders
CA	Cooperative Agreement	MENA	Middle East and North Africa
CRS	Creditor Reporting System	MoU	Memorandum of Understanding
DAC	Development Assistance Committee	OBOR	One Belt, One Road
EAP	East Asia and Pacific	OECD	Organization for Economic Co-operation and Development
ECA	Europe and Central Asia	PRC	People's Republic of China
EQG	Equatorial Guinea	RMI	Republic of the Marshall Islands
FAS	Freely Associated State	SSA	Sub-Saharan Africa
GDI	Global Development Initiative	U.K.	United Kingdom
GSI	Global Security Initiative	U.S.	United States
LAC	Latin America and Caribbean	WWII	World War II

# I. Introduction: How well does Beijing align its supply of overseas development finance with demand in the Global South?

With two key speeches in 2013, Chinese President Xi Jinping signaled a sea change in the foreign policy of the People's Republic of China (PRC). In September 2013 (China MoFA, 2013), President Xi proposed the formation of the Silk Road Economic Belt from Beijing across Central Asia ("One Belt") with a speech at Kazakhstan's Nazarbayev University. In October of that same year (ASEAN-China Center, 2013), he spoke to the Indonesian Parliament about establishing a Maritime Silk Road across Southeast Asia ("One Road"). These two speeches announced what would become the PRC's "One Belt One Road" Initiative, or the Belt and Road Initiative (BRI).

The BRI was widely heralded as an inflection point in the PRC's overseas development strategy, on par with the 1999 announcement of the "Going Out" policy (Wang, 2016). The two BRI speeches promised a new era in the PRC's engagement with the world, with Beijing eyeing a global leadership role for itself in bankrolling hard infrastructure projects to improve physical connectivities between nations (e.g., roads, rails, ports, airports), as well as fostering digital and policy integration (e.g., telecommunications, trade facilitation), and people-to-people ties (e.g., scholarships, exchanges).

As the volume of its overseas investments has quantifiably grown over the last decade, BRI has become synonymous in both media coverage and policy discourse with the PRC's expanding global footprint. Yet, it is unclear whether the BRI did indeed represent a fundamental shift in the PRC's investment portfolio (i.e., who and what it funds), as opposed to serving as more of a way to package or (re)package what it was already doing. In other words, should we view the BRI as a pivot or change in strategic direction for the PRC's overseas development program, a rallying cry to crowd-in resources to double down on what it was already doing, or merely an exercise in rebranding its efforts as a more attractive offering?

For all the public scrutiny and policy discussion swirling around the BRI, there is a surprising lack of hard data to accurately assess whether it has altered the PRC's overseas development finance program in substantive ways and with what response. For member countries, what are the actual benefits of joining the BRI when it comes to

differential levels of financing, types of projects, and terms? For non-member countries, what are the drawbacks or penalties for being a hold-out? For great powers that seek to compete with, or counter, the PRC's growing global influence, does the BRI represent something fundamentally new for them to outmaneuver or more of what has come before, but with shinier packaging? How do the target audiences for Chinese-financed overseas development projects in low- and middle-income countries think about the BRI specifically and the contribution of the PRC to their countries more broadly?

In the *Delivering the Belt and Road* report, we tackle these questions by considering both the supply and demand sides of Chinese state-financed overseas development projects. On the supply side, we examine whether and to what extent there has been an observable change in the PRC's revealed priorities—not only what Beijing says it wants to fund, but also how this translates into actual funded projects—before and after the announcement of BRI in 2013. On the demand side, we analyze three surveys of citizens and leaders that gauge attitudes towards the PRC in general, impressions of the PRC as a development partner relative to other bilateral actors, as well as experiences of Chinese state-financed overseas development projects and the BRI.

Taken together, this report illuminates how Beijing has operationalized the BRI in practice, examines how these overtures are perceived within low- and middle-income countries, and provides some clues about where the BRI might go in future, especially in light of President Xi's 2021 announcement of China's new Global Development Initiative (GDI) and Global Security Initiative (GSI). In the remainder of this chapter, we discuss the strategic importance of the BRI within the PRC's foreign policy, the PRC's success in attracting countries to join the membership bloc, and how we approach measuring the supply and demand for PRC-financed overseas development projects pre- and post-BRI, to lay the foundation for the report's subsequent chapters.

## 1.1 The strategic importance of the Belt and Road Initiative in the PRC's foreign policy

The ascendance of President Xi Jinping is often seen as an inflection point in the PRC's foreign policy, marking a strategic pivot away from Deng Xiaoping's cautious "hide and bide philosophy" towards more active engagement with other countries befitting China's peaceful rise (Custer and Tierney, 2019). In this vein, academic analyses and media reports cast the BRI, President Xi's signature foreign policy agenda, as illustrative

of the PRC's growing global ambitions (He, 2019). Yet, this conventional wisdom obscures the fact that the Chinese government has financed development projects in other countries in thematic areas related to the BRI long before Xi Jinping's tenure (Ye, 2019).

The first examples of Chinese state-directed concessional aid to other countries date back to the 1950s, when China provided "material assistance to the Democratic People's Republic of Korea and Vietnam" followed by aid to several African countries (Information Office of the PRC State Council, 2011). The 1999 "Going Out" Strategy later provided an explicit mandate for the PRC to invest its US\$3 trillion in foreign currency reserves overseas to generate economic returns (Custer and Tierney, 2019). Moreover, the Ministry of Foreign Affairs under President Hu Jintao proposed mutual connectivity projects as part of the Shanghai Cooperation Organization (SCO) and the Association of Southeast Asian Nations (ASEAN) Plus Three frameworks, while senior officials have frequently unveiled regional infrastructure plans in international forums since 2008 (Ye, 2019).<sup>1</sup>

With the BRI, Beijing is building upon its past experience with overseas official finance, while taking a few pages out of the playbooks of other foreign powers. The ambition of the BRI has provoked comparisons to U.S. foreign aid under the Marshall Plan to support Europe's reconstruction following World War II (WWII). For example, one estimate from the Center for Strategic and International Studies (CSIS) posited that the BRI could be worth "US\$1 trillion in infrastructure financing, seven times what the U.S. spent under the Marshall Plan" (Hillman, 2018). Other scholars counter that this is an apples-to-oranges comparison in two respects. First, the Chinese government expects an economic return on its BRI investments, while the Marshall Plan did not include such an explicit profit motive (Horn et al., 2019). Second, the recipients of Chinese grants and loans under the BRI are more heterogeneous, including poorer and less well-governed countries than post-WWII Europe (Huang, 2019).

The BRI may or may not be a Marshall Plan with Chinese characteristics, but it is of sufficient scale to be potentially consequential for participating countries. From a historical perspective, the dramatic increase of Chinese overseas official finance

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<sup>1</sup> Ye (2019) provides several examples of this including: Premier Wen Jiabo's pledge to provide loans to establish a China-ASEAN Infrastructure Cooperation Fund; President Hu Jintao's plan for infrastructure development in Eurasia at the APEC Summit in 2012; and Vice Chairman Zeng Peiyan's proposal of an Asia Infrastructure Cooperation Initiative at the Boao Forum for Asia in May 2013.

investments in recent years is nothing short of a “lending boom” (Horn et al., 2019). Holding an estimated US\$1.6 trillion of the world’s debt, China is now the world’s largest official creditor (ibid). Beijing’s investments via the BRI are particularly crucial to low- and middle-income countries that may be less creditworthy in the eyes of private capital markets or traditional donors and that struggle to access financing for their development. As the go-to lender for the Global South, Beijing is poised to garner outsized influence on the economics, politics, and policies of its partner countries with the BRI.

While the PRC has always sought publicity for its overseas development investments, the concerted external advertising effort that undergirds the BRI is at a new level of sophistication. For many, the BRI has become shorthand for the PRC’s role in the world, for better or worse. This brand recognition is by design. Beijing wants the BRI to present a picture of the PRC as a benevolent and effective partner to developing countries. To this end, it has mobilized its expansive state-run media apparatus in pursuit of international recognition to give visibility to the membership bloc and individual projects, and it has grandfathered in pre-existing investments under the BRI label to further enhance the initiative’s apparent reach (Schlenzig, 2020).

Yet, the ubiquity of Beijing’s external marketing efforts often overshadows another important feature of the BRI: its unprecedented role in mobilizing domestic resources and political will within China. It is tempting for Western scholars and journalists to view the BRI as strictly the realization of Chinese President Xi Jinping’s unitary, top-down foreign policy vision that signals an evolution in China’s role from “world factory to world builder” and presents an alternative to the current international order (He, 2019). However, in translating the rhetoric of the BRI into reality, President Xi had to animate and coordinate the competing domestic interests of state and party leadership, as well as those of a fragmented government bureaucracy across geographic and administrative lines.

In marshaling domestic support for this foreign policy agenda, President Xi benefited from the fact that various agencies had previously experimented with smaller-scale efforts before 2013 that predisposed them to be sympathetic to the BRI (Ye, 2019). For example, Xu Shanda, former Chinese Minister of Taxation, argued in 2009 that China should learn from post-WWII America and proposed a US\$500 billion “Chinese Marshall

Plan...to boost Chinese exports, reduce industrial overcapacity...and advance China's influence" (ibid). Meanwhile, in the face of the "pivot to Asia" under U.S. President Barack Obama, Chinese security agencies proposed a rebalancing of China's strategic interests to place less emphasis on Maritime Asia and instead "go West" to avoid confrontation with the United States (ibid).

One key difference between these past proposals and the BRI is that while technocrats struggled to get traction beyond their agencies, President Xi was able to broker the necessary interagency coordination and galvanize public support to awaken a "previously paralyzed state [bureaucracy]" (Ye, 2019). In this respect, the relative lack of detail about how the BRI would be implemented is arguably a feature of the initiative, rather than an oversight. By positioning the BRI as an "omnibus plan" of sorts (He, 2019), President Xi was able to mobilize necessary support at home from various government agencies, as well as provincial, party, and commercial leaders who could "insert their own policy preferences and programs" that would be advantageous to them (ibid).

Local governments and Chinese state-owned enterprises have flexibly "interpreted BRI" to advance their own development or commercial goals—from launching e-commerce businesses in Chongqing to expanding exports to Europe from Wengzhou and Ningbo (Ye, 2019). Meanwhile, central government agencies have used the BRI as a wrapper to package and push through various initiatives, including expedited rail, road, and port projects, as well as pass new measures to facilitate Chinese overseas trade and investment (ibid). The more that various factions of the Chinese state bureaucracy can continue to maintain strategic "leeway to interpret the strategy to suit their interests," the more likely it is that the BRI will continue to succeed as a domestic mobilization campaign (ibid).

Of course, as the PRC grapples with slowing economic growth at home and navigates the fall-out from unpopular zero-COVID policies, Beijing's willingness to sustain the supply of Chinese-state financing for overseas development may wane in future (Hillman & Sachs, 2021). On the demand side, the PRC may also find itself encountering more instances of "buyer's remorse," as unsustainable borrowing practices catch up with countries struggling to repay their debts and they weigh the political risks of corruption, opacity, and other implementation problems in BRI projects (Tharoor, 2022;

Malik et al., 2021). President Xi Jinping's introduction of the PRC's new Global Development Initiative at the United Nations General Assembly in 2021 (China MoFA, 2021) raised more questions than answers about how the new initiative relates to the BRI—if it is best understood as a replacement, a complement, or a repackaging.

## 1.2 Operationalizing the Belt and Road Initiative: Attracting countries to join the membership bloc

Since its inception in 2013, the PRC's ambition for the BRI has incrementally moved beyond backyard diplomacy to become a truly global initiative (Figure 1). In early years, the BRI was arguably an extension of Beijing's efforts to build relationships of mutual benefit and enhance its influence with neighboring countries in Europe and Central Asia (ECA), as well as East Asia and the Pacific (EAP). In this vein, some of the first member countries of the BRI were the Kyrgyz Republic, Mongolia, and Pakistan.

However, 2017 was an inflection point: the Chinese Communist Party (CCP) enshrined the BRI within its constitution (Shephard, 2017) and Beijing hosted its first BRI Summit. In 2018, 63 new aspirants joined the existing 55 countries, more than doubling the total number of BRI members from the previous year and substantially altering the geographic profile of the bloc to increasingly include Sub-Saharan Africa (SSA) and Latin America and the Caribbean (LAC). By 2021, 143 countries worldwide had joined the BRI, accounting for over half of the world's population<sup>2</sup> and one-quarter of its gross domestic product,<sup>3</sup> excluding the PRC (Figure 2).

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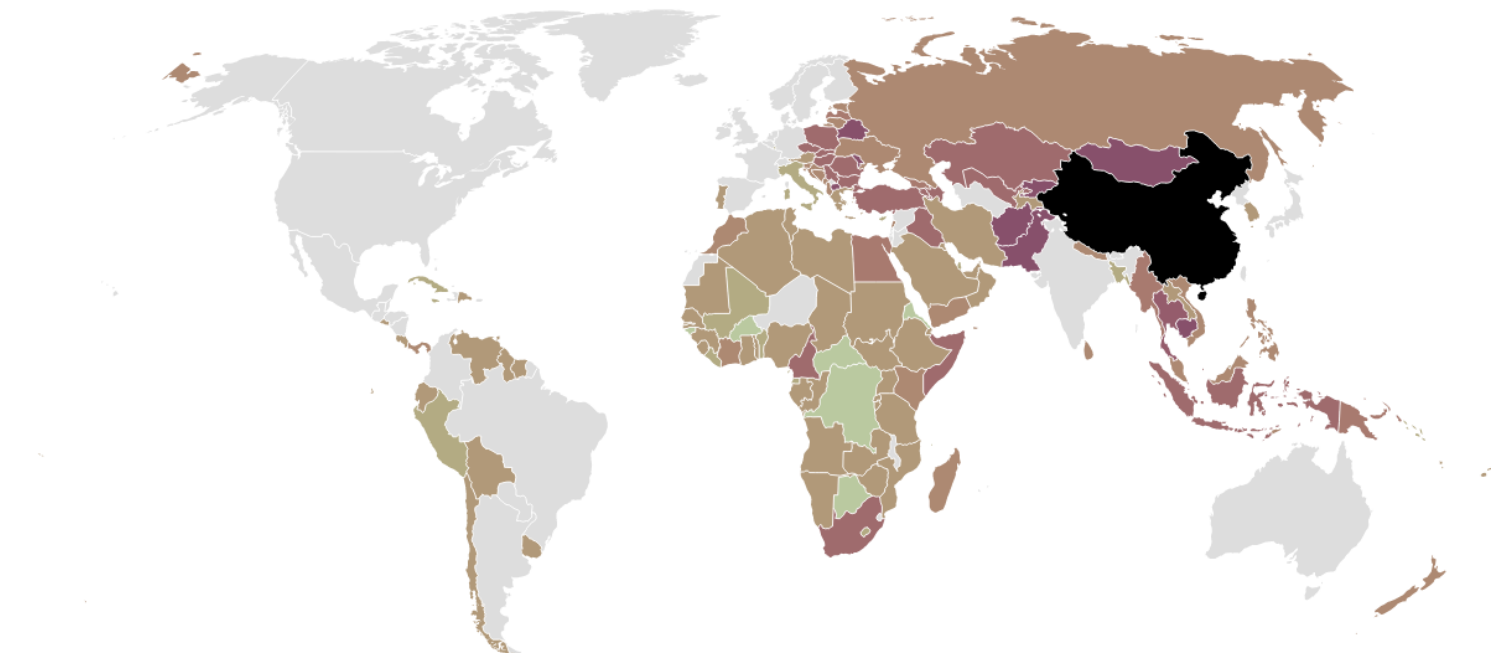
<sup>2</sup> The BRI now includes countries which account for 55 percent of the global population (excluding China), though the membership bloc's growth rate has flattened since 2018. This possibly indicates that the PRC has reached the geographic limits of countries willing to participate in the BRI, if the current holdouts have declined to join due to immovable geopolitical interests.

<sup>3</sup> Seventy-four percent of the world's countries are BRI members, but they account for only 27 percent of global GDP (excluding China). This dynamic underscores that the PRC has struggled to win over some of the world's largest advanced economies (e.g., the United States, Australia, Japan), as well as important emerging markets (e.g., Brazil, Mexico, India), which are more likely to see themselves as being in competition with the PRC economically and militarily, such that they are loath to further bolster its influence.

Figure 1. Who is a member of the Belt and Road Initiative?

Joined BRI in Year...

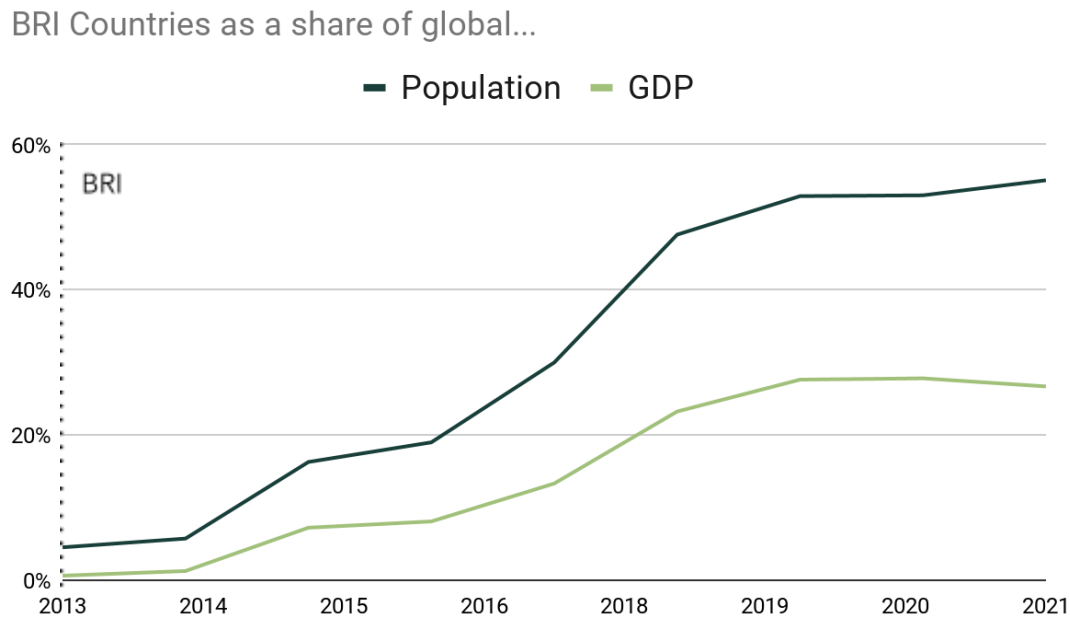
China 2013 2014 2015 2016 2017 2018 2019 2020 2021



*Notes:* This map shows when individual member countries first joined the Belt and Road Initiative, color-coded to signify the join date by year. Source: Membership data collected by AidData staff and research assistants. Horigoshi et al., 2022.



**Figure 2.** How much of the world's population and GDP are included by the Belt and Road Initiative (excluding the PRC itself)?



*Notes:* This figure shows the percentage of the world's population (dark blue line) and gross domestic product (light green line) that are part of the BRI in any given year, excluding the PRC, between 2013 and the present day. Sources: World Bank's DataBank and AidData's Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

Seventy-four percent of the world's countries have signed on to the BRI to date;<sup>4</sup> however, there is a higher revealed interest to participate in some regions than others. In particular, the PRC's overtures have attracted an outsized response from countries farther afield than Beijing's immediate neighborhood, with 94 percent of countries in sub-Saharan Africa (SSA) and 85 percent in the Middle East and North Africa (MENA) having joined the membership bloc (Figure 3).<sup>5</sup> The near total participation of countries in SSA and MENA is strategically advantageous for Beijing, as expanding access to

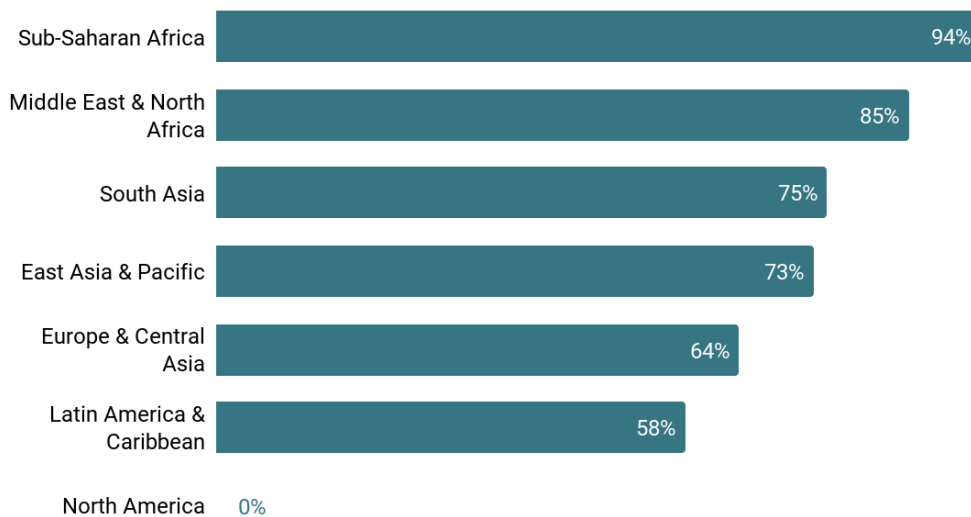
<sup>4</sup> Not all members are equal in what they commit to when signing on to the BRI. Memorandums of Understanding (MoUs) are the highest level of agreement, which typically include more specific commitments regarding how the member country will cooperate with Beijing under the auspices of the BRI. Currently, 99 out of 143 BRI members have signed an MoU with Beijing. Comparatively, 44 countries have signed looser Cooperative Agreements (CAs) that may only contain general platitudes and vague intentions of cooperation, minus specifics. In practice, signing a CA is a relatively costless signal for a country to play along with the BRI, without making any guarantees of specific behavior changes. In this respect, Leutert (2020) refers to CAs as a "waiting room" before increasing the level of commitment to an MoU.

<sup>5</sup> The only SSA countries that are not BRI members are Malawi, Mauritius, and Eswatini (Swaziland). The only MENA countries that are not BRI members are Israel, Jordan, and Syria.

natural resources and energy supplies (which these regions have in abundance) are critical priorities for the PRC's continued growth trajectory.

Aside from North America (the only region with no BRI member countries), Latin America and the Caribbean had the second lowest participation rate (56 percent of countries). Given their historically closer ties with the United States, countries in these two regions may hesitate to join the BRI if they are concerned that this would in turn strain their bilateral relations with Washington.

**Figure 3.** Share of countries in each region that are BRI members



*Notes:* This graph shows the percentage of countries within a given region that are members of the Belt and Road Initiative as of 2022. Source: Membership data collected by AidData staff and research assistants. Horigoshi et al., 2022.

### 1.3 Measuring the supply of PRC official finance, pre- and post-BRI

Beijing has been successful in expanding the roster of member countries in the Belt and Road Initiative, but the membership benefits and costs for those participating are less clear. One way to answer this question is to examine whether, and to what extent, there has been a change in the PRC's revealed priorities—not only what Beijing says it wants

to fund, but also how this translates into actual funded overseas development projects—before and after the announcement of BRI in 2013.

Historically, it has been challenging to answer these questions for two reasons. First, the opacity of the PRC’s investments has traditionally made it difficult to access project-level data on historical Chinese development projects. Fortunately, this is an area where AidData—a research lab at William & Mary’s Global Research Institute—has made important strides to produce the world’s most comprehensive project-level dataset on Chinese state-directed overseas aid and debt financing, i.e., official finance (AidData’s Global Chinese Development Finance Dataset, Version 2.0).

Second, there is no consensus and substantial confusion over what constitutes the BRI at a strategic level, as well as in terms of discrete project-level investments. Both Chinese and Western sources vary enormously in how they use the term, ranging from overly narrow (i.e., counting only road and port infrastructure activities in Central and Southeast Asia) to unhelpfully broad (i.e., applying the label indiscriminately to the entirety of the PRC’s development finance).

Despite being the most-discussed investment policy of the 21st century, we rarely mean the same thing when we talk about the BRI. Part of this derives from the lack of any single governing authority for the BRI, and Xi’s willingness to be vague about the exact outlines of the initiative (Hillman and Sacks, 2021). Another challenge has been the lack of efforts to systematically map the initiative into a single taxonomy. When researchers have incorporated the BRI into their analysis, it was often one component of a broader examination of Chinese development finance.

In this report, we introduce a new systematic way of leveraging AidData’s historical dataset of more than 13,000 PRC-financed overseas development projects between 2000 and 2017 to tag activities—irrespective of time period, geography, or membership status—that are “BRI-like,” in that they correspond to clearly identified thematic foci laid out in key speeches and strategic frameworks introducing the Belt and Road Initiative to the world. However, before we do so, we briefly describe past efforts to measure changes in financing in the BRI era and some of the limitations our work with this paper seeks to overcome.

### 1.3.1 Past efforts to measure changes in PRC official finance in the BRI era

Previous efforts to measure BRI funding have employed various proxy measures to begin to answer this question. Each of these approaches has its merits, but all are limited. Some, like Bandiera and Tsiropoulos (2019) limit their assessments to specific “BRI Corridor” countries located directly along the two initial transport corridors in Asia, the “Silk Road Economic Belt” and “Maritime Silk Road.” Although these two regions were indeed essential to the early stages of its formation, the BRI has now evolved into a truly global initiative with members far removed from that original geography, as we described in the previous section. In that respect, this way of operationalizing the impact of the BRI on the PRC’s development finance portfolio is unnecessarily limited.

Other researchers instead use a BRI membership tag to indicate whether or not a country has signed an agreement to formally join the bloc. However, this approach has two limitations. First, the tag may be applied retroactively, so that if a country signed a BRI agreement *at any point*, all projects would be classified as BRI regardless of their substance or timing. As a case in point, PRC financing for three Moroccan dams in 2002 would all be tagged as BRI, despite Morocco only signing a BRI MoU in 2017 (Boston University, 2020).<sup>6</sup> Second, this approach does not allow for the fact that “BRI participants are not all created equal” (Leutert, 2020), with some countries opting to sign on to more comprehensive MoUs, while others prefer looser cooperation agreements. Identifying BRI projects solely on the basis of membership inhibits our ability to understand whether the PRC treats all member countries equally.

Sectoral analyses are common, which is likely a reflection of the outsized emphasis in Chinese and Western media coverage on big-ticket infrastructure projects as the face of the BRI. Indeed, scholars have pointed out the internal pressures of excess cement and steel production within China as one of the main problems the Chinese Communist Party hopes to resolve with the BRI (Dreher et al., 2022; Cai, 2017). Others refer to the initiative as primarily about “infrastructure financing...to serve key economic, foreign policy, and security objectives for the Chinese government” (Hurley et al., 2019).

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<sup>6</sup> A PRC-financed project for three Moroccan dams in Ifrane, Chefchaouen, and Al-Hoceima captured in Boston University’s China’s Global Energy Finance, 2020 database has a BRI Member tag, despite Morocco only signing on to BRI in 2017: <https://www.bu.edu/gdp/2021/02/12/chinas-global-energy-finance-2020/>

An advantage of this sectoral approach is that it is a clear and easily explainable way of quantifying and parsing between BRI- and non-BRI activities. For example, Malik et al. (2021) applied sectoral codes from AidData's project-level Global Chinese Development Financial Dataset, Version 2.0 to monitor infrastructure-related financing as a marker of BRI activity. Nevertheless, sectoral approaches run the risk of over-fitting to one aspect of Chinese state financing that, while receiving more attention now, has been at the forefront of Beijing's playbook for two decades. BRI policies and speeches have made clear that the initiative does not end with concrete and steel. The push for greater connectivities includes softer linkages, such as standard-setting and people-to-people ties.

Even using the initial announcement as a cut-point to compare what is and is not considered to be a BRI project is problematic, as PRC officials have taken to retroactively applying the BRI label to projects that predate the 2013 launch or even Xi Jinping's ascension to General Secretary of the CCP. Infrastructure projects seem to be particularly vulnerable to this rebranding exercise (Schlenzig, 2020). As a case in point, Chinese state media has previously referred to Sri Lanka's Colombo Port City project as a crown jewel of the Maritime Silk Road and therefore the BRI, even though the China Harbour Engineering Company submitted its initial proposals for the project back in 2011.

### 1.3.2 A thematic approach to assess the BRI's impact on PRC official finance

In this report, we aim to overcome these past challenges by leveraging AidData's historical database of PRC overseas development finance to tag projects—irrespective of time period, geography or membership status—that are “BRI-like,” in that they correspond to clearly identified thematic foci laid out in key speeches and strategic frameworks introducing the Belt and Road Initiative to the world.<sup>7</sup> In creating this BRI-project tagging methodology, we first identified the key thematic foci of the BRI, as articulated in official documents and speeches by Chinese government leaders. We then developed a standardized taxonomy to cross-walk the types of projects captured

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<sup>7</sup> The tagging schema we use to analyze whether and how the announcement of the BRI has changed the supply of PRC development finance is best understood as a value addition that builds upon the foundation of AidData's Global Chinese Development Finance Dataset, Version 2.0. In this respect, we owe a debt of gratitude to the much larger team of researchers who produced this historical dataset of more than 13,000 overseas development projects financed by the PRC government between 2000 and 2017 (Custer et al., 2021; Dreher et al., 2022). For more information see: <https://www.aiddata.org/data/aiddatas-global-chinese-development-finance-dataset-version-2-0>.

in our database by activity to the thematic foci of the BRI. Finally, we assigned a code to each project to capture which areas of BRI activity it encompasses.

Although the scope subsequently expanded, Chinese President Xi Jinping outlined the aim of the BRI to build interconnectivities between China and other countries in two speeches in 2013. President Xi described the broader concept of connectivity by focusing on five key themes: (i) strengthening policy communication; (ii) improving infrastructure connectivity; (iii) promoting trade facilitation; (iv) enhancing monetary circulation; and (v) promoting people-to-people ties. Moreover, he gave examples of specific activities that the PRC planned to do in support of each of those five areas.

Even as Beijing has adapted how it implements the BRI—responding to criticism over the use of Chinese labor, environmental standards, procurement practices, and debt sustainability—these five themes have been durable as a strategic framework for the PRC to articulate the initiative’s value proposition (Rolland, 2019).<sup>8</sup> The PRC’s Belt and Road Portal (2022) highlights these five areas as its national-level cooperation priorities. Subnational governments cite variations in their local-level BRI strategies. Jiangsu province, for example, frames its BRI efforts around “Five Major Plans:” interconnectivity, capacity cooperation, silk road trade, a cooperation and demonstration industrial park, and cultural exchange (Jiangsu Belt and Road Portal, 2022).

In designing our methodology to tag BRI-themed projects within the PRC’s overall development finance portfolio, we began with the five themes from President Xi’s 2013 speeches on the Silk Road Economic Belt and the Maritime Silk Road, focusing on his descriptions of concrete activities illustrative of the envisioned cooperation in each area. For example, when discussing the goal of strengthening policy communication, Xi talked about intergovernmental policy exchange and communication mechanisms and joint policy support for large-scale projects as illustrative activities (China MoFA, 2013; ASEAN-China Center, 2013). For improving infrastructure connectivity, he used the examples of “promoting standard transport rules and connectivity” and “port construction and improvement” among other actions (ibid).

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<sup>8</sup> For example, Beijing has taken steps in recent years to court other bilateral and multilateral donors to co-finance projects to mute criticism that China “goes it alone” and bolster the perceived credibility of the BRI (Belt and Road Ventures, 2019). The PRC also announced a new Multilateral Cooperation Center for Development to facilitate closer coordination with other donors on BRI projects at the 2019 BRI summit.

We then expanded to a broader set of PRC policy documents and action plans following the speeches, including the March 2015 Ministry of Foreign Affairs Action Plan on the Belt and Road Initiative (China MoFA, 2015), as well as the action plans of various line ministries dealing with education, agriculture, culture, tourism, and sports, among other areas (more information is available in our accompanying methodological note).<sup>9</sup> This emphasis on illustrative activities in PRC speeches and action plans helped us bridge between the five themes to specific projects, as well as develop our taxonomy of BRI-themed and non-BRI themed activities.

The fifth thematic area, “people-to-people exchanges,” has the fuzziest boundaries, as it focuses on promoting “friendship and understanding” while building individual-level linkages to China. Nevertheless, in practice, illustrative activities in this area focus on facilitating connections between Chinese citizens and individuals overseas through scholarships, medical team visits, joint research programs, and sports tourism (China MoFA, 2013). This allows us to exclude activities that promote ties or wellbeing, such as humanitarian assistance and social welfare, but do not clearly involve the development of long-term interpersonal relationships between Chinese nationals and foreign citizens.

The BRI emphasis on connectivity—in its various forms—is equally helpful to identify other activities that do not appear to fall under the BRI umbrella. For example, stadium construction, such as Qatar’s Lusail stadium, falls outside of our strict understanding of Belt and Road connectivities, even if this activity can be a powerful form of public diplomacy to achieve reputational gains (Custer et al., 2018, 2019, and 2021). Certainly, such projects can still prove to be useful for the PRC’s broader promotional efforts.<sup>10</sup> Nevertheless, the project would not appear to be truly aligned with the BRI if we use the PRC’s own stated thematic areas, as stadium construction of this nature does not involve connectivity to broader road, communication, or transportation networks (China MoFA, 2013). Box 1 below provides a brief overview of how we created the taxonomy to map discrete PRC-financed development projects to the BRI thematic foci and then operationalize this in a systematic tagging methodology.

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<sup>9</sup> It is important to note that this document does not address 2018’s “BRI Recalibration.” A further revision to add a BRI 2.0-like tag may be a worthwhile research endeavor; however, this is beyond the scope of our current data range. The “recalibration” also does not seem to be a full restructuring of priorities, nor does it appear to add new categories. Instead it appears to be an emphasis of the “softer” methods in response to scrutiny of the “hard” investments, suggesting that these categories will still apply to projects moving forward.

<sup>10</sup> Notably, the Lusail project was heralded by the PRC ambassador to Qatar (2021) as “symbolic” of Belt and Road cooperation and highlighted by the PRC’s Ministry of Ecology and Environment (2020) as a case study of green BRI development.

In Chapter 2, we apply our methodology to AidData’s historical dataset of more than 13,000 PRC-financed overseas development projects between 2000 and 2017 to tag activities—irrespective of time period, geography or membership status—that are “BRI-like,” in that they correspond to clearly identified thematic foci laid out in key speeches and strategic frameworks introducing the Belt and Road Initiative to the world. The results afford us greater insight into the supply side of the PRC’s overseas development finance portfolio and how this has evolved before and after the launch of the Belt and Road Initiative.

### **Box 1. An inside look at AidData’s “BRI-like” project tagging schema**

As described in this section, we first identified the key thematic foci of the BRI, as articulated in official documents and speeches by senior Chinese government leaders. This resulted in five core thematic areas: S1 - Strengthen Policy Communication, S2 - Improve Infrastructure Connectivity, S3 - Trade Facilitation, S4 - Enhance Monetary Circulation, S5 - People-to-People Exchanges. In stage two, we mapped these key themes to a list of 116 typical activities (which frequently appear in either PRC or OECD official finance activities as part of standardized taxonomy) to determine which types of projects should be considered “BRI-like” (i.e., consistent with the stated mandate and scope of the BRI as defined by Beijing).

Based upon the taxonomy, we then developed seven tags that could be applied at the project-level: one tag for each of the five thematic areas (which was then rolled up into a binary “BRI-like” tag based on the positive presence of any of them), a “Non-BRI” tag for activities clearly not aligned with our taxonomy, and a “Vague-BRI” tag for projects that appeared related to BRI themes but lacked the detail to be sufficiently conclusive. We then applied these tags across our database of historical Chinese official finance projects by identifying the specific activity taking place in a given project via its title and description, rather than the sector, year, or other data indicators.

Given the high volume of historical Chinese overseas development projects (13,000+) in AidData’s Global Chinese Development Finance Dataset, Version 2.0, we used a semi-automated approach (blending human- and machine-coding) to operationalize tagging in order to balance precision and scalability. First, using our taxonomy, we developed a series of keywords and scalable queries to auto-tag projects based on unique phrases that were mapped to BRI-like or non-BRI. Following the automated application of keywords, a subset of ambiguously-coded projects still needed human arbitration. This subset of projects either



received both BRI-like and non-BRI codes, or received neither. Two research assistants reviewed each of these ambiguous projects in a double-blind process, reading the entirety of a project's title and description to identify the primary activity occurring, and then manually assigned the appropriate codes based on that activity. AidData staff arbitrated any projects for which two research assistants disagreed on the coding.

In the final stage, AidData staff performed two levels of data verification. First, AidData staff annually verified two to five percent of projects pulled at random. Staff then followed this with an additional round of comprehensive verification for all projects over US\$500 million (321 projects), due to the outsized influence these projects have on any aggregated dollar values. These 321 high-value projects account for 66.4 percent of the US\$843 billion total captured in the dataset. The median dollar value of a project recommended for aggregation for research in AidData's Global Chinese Development Finance Dataset, Version 2.0, is slightly over US\$8 million (\$8,095,287).

## 1.4 Measuring demand for PRC official finance projects and the BRI

The PRC's overseas development program has been a lightning rod for controversy, particularly during the era of the Belt and Road Initiative. Some policymakers and scholars view the PRC's financing as a welcome source of capital support growth in low- and middle-income countries. Others argue that PRC-financed development projects fuel corruption, accelerate environmental degradation, heighten debt distress, and infringe upon the rights and wellbeing of vulnerable populations.

Yet, beyond the heated rhetoric, there is a surprising lack of hard evidence to help us understand how citizens and leaders within borrowing countries perceive the PRC as a development partner, the trade-offs of Chinese-financed development projects, and the significance of the BRI to their country's relations with Beijing. For every PRC-financed overseas development project, there are two sides to the equation—not only the perspective of the financier, but also that of their counterparts in the Global South. In Chapter 3, we triangulate information from three surveys to better understand the demand side of PRC-financed development projects in the era of the BRI.

Using the Gallup World Poll (2005-2021), we analyze how public perceptions of the PRC's leadership have evolved in the BRI era in absolute terms as well as in relation to other foreign powers, as a barometer of overall favorability. Using several waves of AidData's in-house *Listening to Leaders* Survey, conducted in 2014, 2017, and 2020, we also gauge the impressions of leaders from 141 low- and middle-income countries regarding Beijing's performance as a development partner.

Finally, we introduce the results of a first-of-its kind *2022 Perceptions of Chinese Overseas Development Survey of African leaders* (BRI Perceptions Survey) conducted by AidData in July and August of 2022 to surface African leaders' experiences of PRC-financed development projects, the perceived impacts of these projects in 55 countries, and the significance of the BRI in shaping their relations with Beijing. Box 2 below provides an overview of the two AidData surveys. More information about the respective survey methodologies and sampling frames is provided in the accompanying Technical Appendix.

## **Box 2.** An inside look at AidData's *Listening to Leaders* and BRI Perceptions Surveys

Once every three years, AidData fields our *Listening to Leaders* Survey to public, private, and civil society leaders across 141 low- and middle-income countries. Past waves of the online survey were conducted in 2014, 2017, and 2020. 6,807 leaders responded to the 2020 wave of the survey to share their experiences working with 100+ development partners, including the People's Republic of China, for an overall response rate of 8.1 percent. Based upon the World Bank's June 2020 classification, the survey was fielded to 29 low-income countries, 50 lower-middle income countries, 55 upper-middle income countries, 3 countries that recently graduated to high-income status, as well as 5 semi-autonomous regions (Puntland, Kurdistan, Palestine, Somaliland, and Zanzibar).

Survey respondents came from one of six intentionally defined stakeholder groups that discharge functions relevant to our questions of interest. Our final sample in 2020 included: Government (executive branch) officials—2,959 responses (43.47% of sample); Parliamentarians—360 responses (5.29% of sample); Local representatives of development partners—889 responses (13.06% of sample); NGO/CSO leaders—1,287 responses (18.91% of sample); Private sector leaders—374 responses (5.49% of sample); University, think tank, and media leaders—672 responses (9.87% of sample); Other—266 responses (3.91% of sample).

Respondents could select one of 23 areas of policy expertise, including: (1) agriculture, fishing, and forestry; (2) economic policy; (3) education; (4) energy and mining; (5) environment and natural resource management; (6) finance; (7) health; (8) human development and gender; (9) industry, trade and services; (10) information and communications; (11) labor market policy and programs; (12) nutrition and food security; (13) private sector development; (14) good governance and rule of law; (15) public sector management; (16) rural development; (17) social development and protection; (18) trade; (19) transportation; (20) urban development; (21) water, sewerage and waste management; (22) foreign policy; or (23) other.

In July and August of 2022, AidData fielded its online *2022 Perceptions of Chinese Overseas Development Survey of African leaders* (BRI Perceptions Survey) to African leaders in 55 low- and middle-income countries. Respondents came from the same six stakeholder groups as the *Listening to Leaders Survey*. Of the 21,278 participants that received our email invitation, 861 participated, for an overall response rate of 4.1 percent. The final sample comprised responses from: 375 government officials (44%), 21 parliamentarians (2%), 185 civil society leaders (21%), 128 university or think tank leaders (15%), 108 local representatives of development partners (13%), 43 private sector leaders (5%), and 1 other write-in response (0.12%).

The geographic distribution of AidData's *BRI Perceptions Survey* sample includes responses from the following areas: Eastern Africa (298 responses, 35% of sample); Middle Africa (116 responses, 13% of sample); Northern Africa (50 responses, 6% of sample); Southern Africa (94 responses, 11% of sample); and Western Africa (303 responses, 35% of sample).

AidData mitigates potential bias in our surveys in three ways: (1) developing a robust sampling frame of individuals who represent our target population of interest to ensure there is a large enough set of final respondents to facilitate this analysis; (2) collecting data to monitor the demographics of those who receive an invitation versus those who respond to the survey to assess representativeness; and (3) using non-response weights when computing aggregate statistics (e.g., arithmetic means) from the survey results. More information on the design of the sampling frame, recruitment of our samples, and weighting procedures for our analysis is available in the accompanying Technical Appendix.

The remainder of the “Delivering the Belt and Road” report is organized as follows. In Chapter 2, we present the results of our supply-side analysis, identifying the PRC's revealed priorities in its financing of BRI-themed versus other projects at country, regional, and global levels over nearly two decades. In Chapter 3, we turn to the results of our demand-side analysis, examining citizen attitudes towards PRC leadership, leader impressions of Beijing as a development partner vis-à-vis the alternatives, and leader

experiences of Chinese overseas development projects and the BRI. In Chapter 4, we conclude by reflecting on what these retrospective insights might tell us about the future supply of and demand for BRI projects, as well as the likely trajectory of newer initiatives such as President Xi's Global Development Initiative (GDI) and Global Security Initiative (GSI).

## 2. Supply Side: How have Beijing's funding priorities changed with the BRI?

The People's Republic of China is an undeniable heavyweight when it comes to the volume of financing it brings to bear in bankrolling overseas development projects, particularly in the Global South.<sup>11</sup> The PRC commits an estimated US\$85 billion per year on average to fund projects in 165 low- and middle-income countries (Malik et al., 2021). But this is not a new phenomenon in the era of the BRI, nor the tenure of Xi Jinping.

The PRC surpassed the United States as the single largest bilateral provider of foreign assistance (broadly defined) as early as 2009, with its official finance program growing rapidly throughout the 18-year period captured in AidData's Global Chinese Development Finance Dataset, Version 2.0. Comparing 2000 versus 2017, the first and last year of the time period, there was a six-fold increase in the number of PRC-backed development projects (from 168 to 1,134). In monetary terms, the increase was even more pronounced, rising from approximately US\$3.6 billion in 2000 to US\$75 billion in 2017, a 15-fold increase.

Chinese-state directed financing for overseas development has quantifiably increased in recent years, but so too has funding from other donors, albeit at lower rates. The total envelope of development finance—inclusive of grants and concessional loans (often referred to as aid) and less concessional lending (considered to be debt)—for donors reporting to the OECD's Creditor Reporting System (CRS) increased by more than two and a half times between 2000 and 2017, from US\$114 to US\$305 billion (OECD, 2022).<sup>12</sup>

Nevertheless, the PRC's contributions are formidable and growing by comparison. In 2016, the year with the single highest volume of PRC financing on record, Beijing's official development finance contributions were worth approximately 50 percent of the

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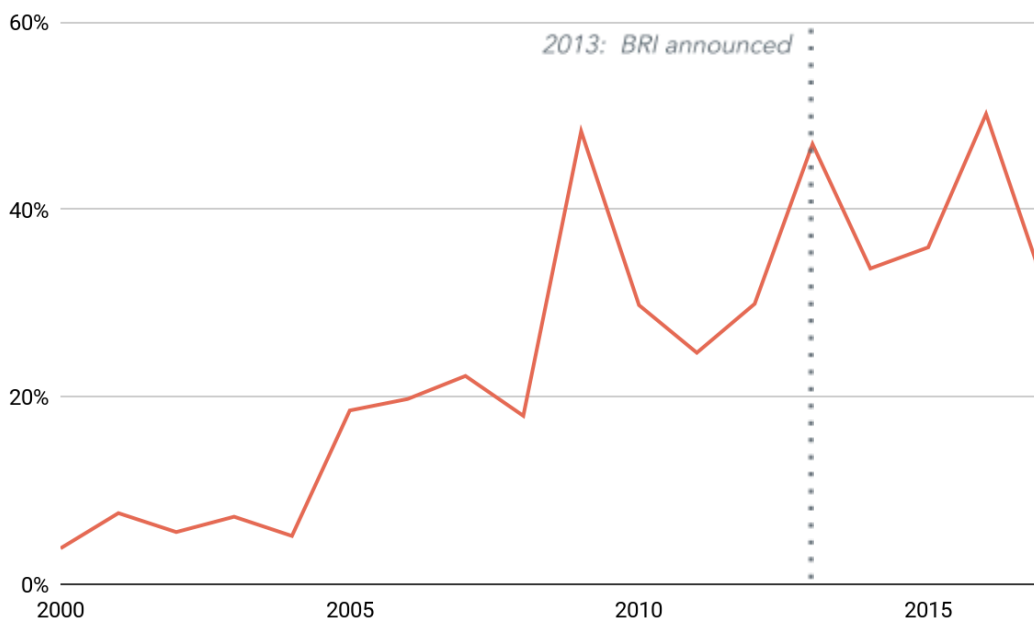
<sup>11</sup> Although the BRI counts 32 high-income countries (such as Italy, Portugal, and Luxembourg) among its members, we are primarily interested in the footprint of Chinese development projects and the BRI in the Global South in this study.

<sup>12</sup> OECD CRS financing encompasses not only bilateral development financing, but also funding from international finance institutions such as the World Bank and the International Monetary Fund. Since this is a voluntary regime, only countries or organizations that willingly choose to abide by the OECD's reporting standards publish their funding amounts and would be included in the CRS financing estimates. The PRC is not a reporting member, so it is excluded from the estimate of CRS financing.

entirety of the OECD CRS-reporting countries combined, compared to less than 10 percent in the early 2000s (Figure 4). In head-to-head comparisons with individual donors, the PRC outspends the U.S and other powers by 2-to-1 or more.

With this broader context in mind, in the remainder of this section we present four key insights on whether and how Beijing’s supply of Chinese development finance has shifted in response to the BRI. In Section 2.1, we take a global view of the PRC’s financing for both BRI-themed and other projects over nearly two decades. We then examine the geography of the PRC’s financing for BRI-themed and other projects during that same time period (Section 2.2) and provide an in-depth look at five country cases (Section 2.3) that are illustrative of broader trends, in order to understand Beijing’s revealed priorities—who it funds, what it funds, and how it funds overseas development projects. The answers to these questions help us better understand differences in the PRC’s engagement with BRI member countries versus holdouts in practical terms.

**Figure 4.** PRC official finance in proportion to all OECD CRS donor financing, for comparison purposes, 2000-2017



*Note:* This visual shows the US\$843 billion in Chinese official finance (both official development assistance, or ODA, and other official flows) directed by the PRC to overseas development projects between 2000 and 2017 as a proportion of the total value of the official finance provided by all donors reporting to the OECD’s Creditor Reporting System for the same period. We present the PRC’s contribution as a ‘share’ of overall CRS financing to approximate the value of its contribution to low- and middle-income countries as compared to OECD-reporting donors. This is purely

*for the sake of drawing comparisons, as the PRC does not report its official finance portfolio to the OECD CRS. In other words, in 2016, the value of the PRC's official finance portfolio was approximately 50% of the size of the entirety of all contributions from donors reporting to the CRS. Source: OECD.Stat. (2022). OECD Creditor Reporting System; AidData's Global Chinese Development Finance Dataset (Custer et al., 2021; Dreher et al., 2022).*

## 2.1 A global view of PRC official finance for BRI-themed projects, 2000-2017

One of the critical questions posed by this report is to understand whether and how the supply of the PRC's financing for overseas development shifted with the announcement of Xi Jinping's signature Belt and Road Initiative in 2013. To answer this question, we systematically analyzed a dataset of over 13,000 Chinese state-financed development projects between 2000 and 2017 to examine observable differences in Beijing's revealed funding priorities before and after the 2013 announcement of BRI. Using the approach described earlier, we take a longer-term historical view to compare financing for projects that are substantively BRI-like in their intent (i.e., BRI-themed projects), regardless of when they occurred or whether they involved a BRI member country. This effectively removes the noise of branding from the determination of what is or is not a BRI-like project and, in keeping with the emphasis on connectivity in various forms, this approach allows us to take a more comprehensive look beyond infrastructure projects alone.

**Finding #1.** The PRC's interest in investing in BRI-themed projects began early, with funding seen well before the initiative's official start and outstripping other types after 2004

Figure 5 provides a birds-eye view of PRC financing for BRI-themed and other projects over an 18-year period, considering both overall dollar amounts (left) and the number of projects (right). From this vantage point, the results appear to be mixed. On the one-hand, the PRC incrementally increased the number of projects of both types for almost the entirety of the period with a fairly balanced portfolio. On the other hand, we see far greater volatility with the total dollar values of the PRC's commitments, driven by a few large dollar BRI-themed projects even prior to 2013, as compared to the relatively smooth trajectory in overall project counts.<sup>13</sup> Notably, BRI-themed projects are in another league from other PRC-financed activities. The average BRI-themed activity is

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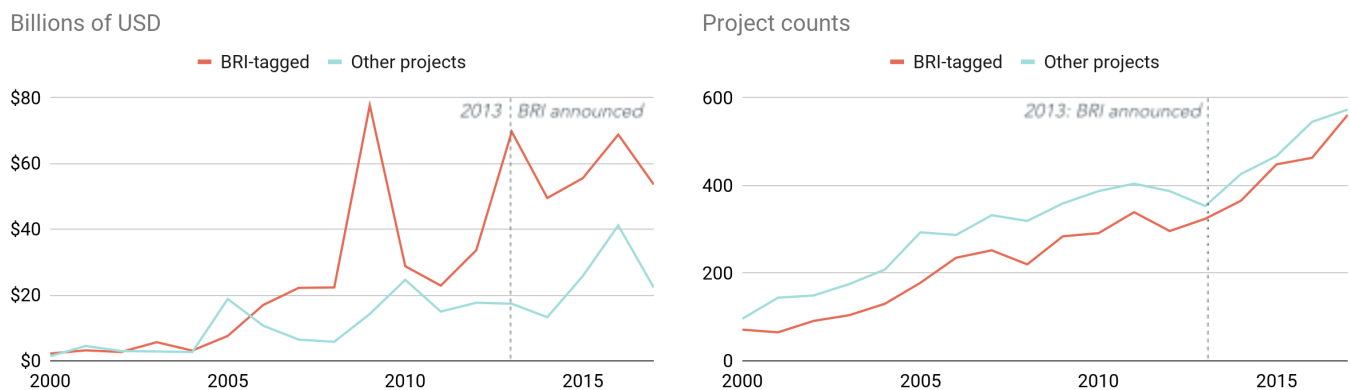
<sup>13</sup> The top ten largest projects range between US\$6 billion and US\$32 billion.

worth US\$230 million, compared to other projects which are four times smaller on average (US\$60 million).

These faint signals—that the PRC bankrolled BRI-like activities long before the membership bloc was announced and has done so at relatively higher levels than other projects for some time—are further amplified if we employ a statistical technique to apply a curve of best fit to smooth out our noisy data, which is skewed by a limited number of very large-dollar projects. As shown in Figure 6, we see even more clearly that BRI-themed projects began attracting a larger proportion of total PRC financing relative to other activities as early as 2004, expanding rapidly till 2008, and subsequently stabilizing at a ratio of 70:30 for BRI-themed versus other projects.

Taken together, these data points reinforce our starting hypothesis that Beijing’s interest in bankrolling projects along the five thematic areas of the BRI did not begin with Xi Jinping’s speeches invoking the Silk Road Economic Belt and the Maritime Silk Road. If anything, the BRI might be considered more of a formalization or reification of a strategic trajectory that began almost a decade prior. Moreover, there is no noticeable change in the pattern beginning or following 2013, suggesting that there may be some truth to the claim that the BRI is nothing more than a branding strategy (Freyman, 2019).

**Figure 5.** PRC official finance for BRI-tagged projects by dollar value and project count, 2000-2017

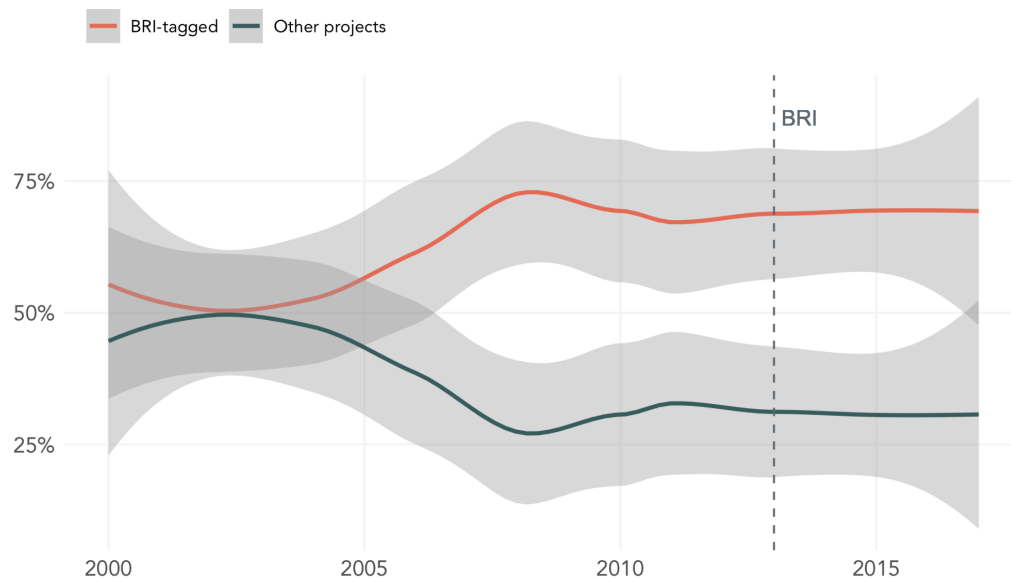


*Notes:* These graphs show the volume of Chinese state-directed financing by dollar value (left) and project count (right) for BRI-themed projects (red) and other types (blue) between 2000 and 2017. Financial amounts are in constant 2017



USD. Sources: AidData's BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData's Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

**Figure 6.** Share of PRC official finance for BRI-tagged projects versus other types (smoothed), 2000-2017



*Notes:* This visual shows the percentage of Chinese state-directed financing by dollar (constant 2017 USD) to BRI-themed projects (red) and other types (blue) between 2000 and 2017. For this analysis, we employed a LOESS (locally weighted smoothing) function: a non-parametric statistical method to apply a curve of best fit (i.e., a smooth line) to our time series data points without assuming a normal distribution. This moving regression is a useful technique to clearly identify long-term trends in inherently noisy data due to large-dollar projects. Sources: AidData's BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData's Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

**Finding #2.** The PRC's BRI-themed projects tend to be of larger dollar amounts and come with less generous terms—debt rather than aid—as compared to other types of projects

The PRC's rise as a major player in the development finance landscape has fundamentally changed the rules of the game in how states channel assistance to low- and middle-income countries. In the 1940s, the Bretton Woods institutions of the World Bank and the International Monetary Fund were formed to help countries rebuild their economies in the aftermath of World War II. At that time, Western democracies were the major financiers of development, grants and no- or low-interest loans were the

tools, and limited options were available for poorer countries to access other forms of capital.

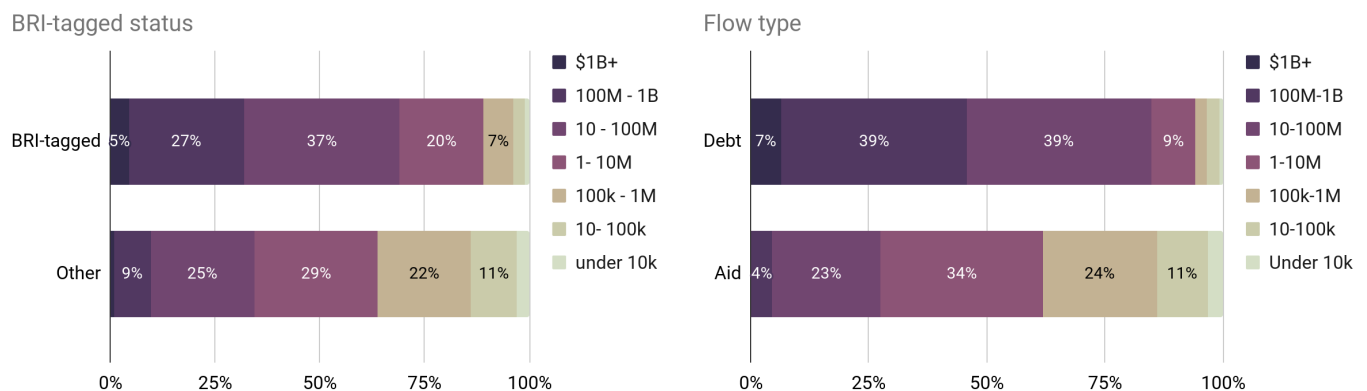
The rise of emerging economies and South-South Cooperation challenged that status quo, as previous recipients of assistance began supplying financing and in-kind contributions at scale to support development in other countries, but using different terms. The PRC is not unique in this regard, but it is by far and away the most prominent example due to its global economic importance and the sheer volume of its overseas development portfolio in both number and dollar value of its projects.

Past studies have shown it is not conjecture but empirical fact that the PRC delivers financing to partner countries on substantially different terms than those offered by the OECD's Development Assistance Committee (DAC) club of advanced economies or international finance institutions (Gelpert et al., 2021; Malik et al., 2021; Dreher et al., 2022). The PRC's financing tends to be in the form of loans approaching market rates, as opposed to grants or concessional lending favored by other donors. Beijing has a proven appetite for bankrolling infrastructure projects, sourcing ideas directly from political leaders, and delivering assistance quickly without extensive social and environmental safeguards or governance conditionalities. But the PRC's overseas development projects are not monolithic and the reality is more complex than the image frequently portrayed in international media of the multi-million dollar public infrastructure project. This is certainly part of the story, but not the complete picture.

If we compare two rudimentary data points—the average (mean) dollar value across all projects versus the dollar value of the project in the middle of the lineup (median)—this dichotomy is more clearly seen. The average value of a PRC-financed development project is a whopping US\$122 million, in keeping with the stereotype of Beijing as preferring big-ticket investments. But the median value of a typical project is much smaller: US\$7.9 million. In fact, less than 2 percent of all projects financed by Beijing over an 18-year period were worth more than US\$1 billion. Yet, in the context of this study, we are interested not only in understanding the general rule, but also whether and how the PRC's approach to financing BRI-themed projects differs from other activities in terms of average dollar values and financing terms. In fact, we do see important differences between the two groups.

BRI-themed projects are typically larger, because of the high degree to which the BRI's five connectivities tend to overlap with high-cost sectors. For example, 70 percent of all PRC-financed projects in the industry, mining, and construction sector met our criteria to be considered BRI-themed. The mean dollar value of a project in that sector is over US\$500 million. Figure 7 shows the distribution, in terms of dollar value, of BRI-themed projects compared to others (on the left) versus projects that are financed with aid or debt (on the right).

**Figure 7.** Distribution of the dollar value of PRC official finance by BRI status and flow type, 2000-2017

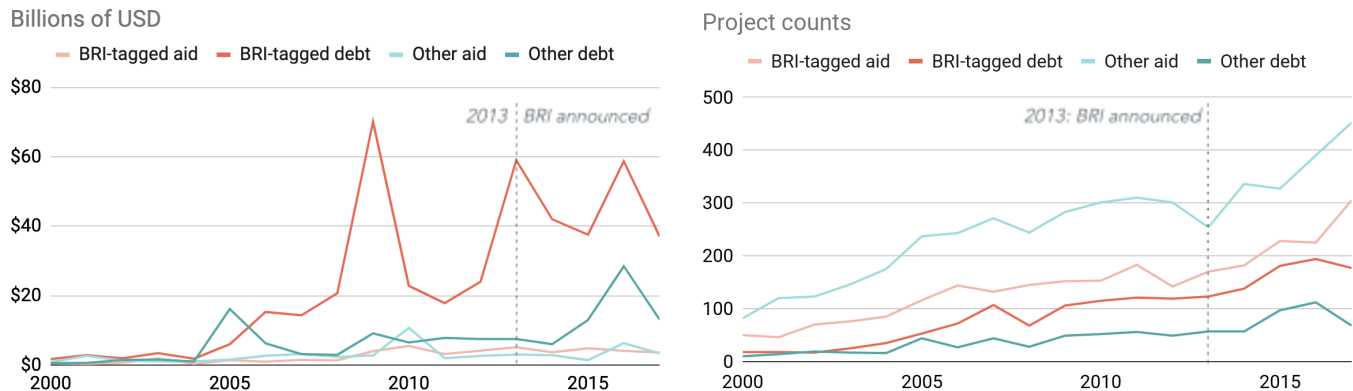


**Notes:** The visual on the left shows the distribution of the PRC's financing for BRI-themed projects versus other projects by dollar value (in constant 2017 USD). The visual on the right shows the distribution of the PRC's financing for grants and concessional loans (aid), regardless of BRI-tagged status, versus financing for less concessional loans and export credits, also by dollar value. The color-coding corresponds to project valuations of varying sizes, using a standardized key (from the lowest category of less than US\$10,000 to the highest category of over US\$1 billion). Sources: AidData's BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData's Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

Nevertheless, BRI-themed projects are also less generous in the terms of their financing. Approximately two-thirds of BRI-themed financing was in the form of loans approaching market rates or other debt instruments (i.e., other official flows). The reverse is true of financing for the other, non-BRI themed activities. Two-thirds of this was in the form of aid, namely grants and no- or low-interest loans (i.e., official development assistance). For this reason, it is not all that surprising that the BRI-themed portfolio more closely resembles the breakdown of how Beijing approaches its less concessional lending more

broadly.<sup>14</sup> Figure 8 shows the volume of PRC financing by dollars (left) and project counts (right) for BRI-themed versus other activities, further differentiating between whether these projects are financed with aid or debt.

**Figure 8.** PRC official finance by BRI status and flow type, 2000-2017



**Notes:** The visual on the left shows the dollar value over time of PRC official finance for BRI-themed and non-BRI (other) projects. It further differentiates between whether financing for these projects was in the form of aid (grants and no or low interest loans) or debt (less concessional loans approaching market rates). The visual on the right provides a similar comparison by BRI-tagged status and financing terms, but depicts the number of projects rather than the dollar value. Financial amounts are in constant 2017 USD for the 2000-2017 period. All projects are included, both high-dollar and low-dollar outliers. Sources: AidData's BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData's Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

Looking at outliers on both ends of the spectrum—unusually large or small dollar projects—further reinforces the differences in how the PRC funds BRI-themed versus non-BRI (other) activities, regardless of the time period (Figure 9). On the high end, 76 percent of projects worth more than US\$1 billion are BRI-themed, versus 24 percent of non-BRI activities. Yet, these billion-dollar projects are noticeably less generous if they are BRI-themed: only 2 percent were financed by grants or concessional loans, compared to 12 percent of non-BRI projects.<sup>15</sup> The few instances of BRI-themed projects financed with more generous terms were larger concessional loans to support infrastructure in low or lower-middle income countries. For non-BRI projects, larger

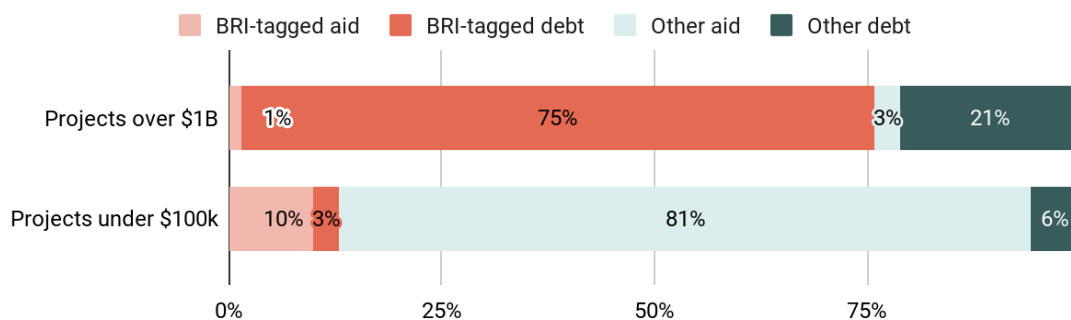
<sup>14</sup> Note that the mean value of a debt project is US\$340 million, while the mean value of an aid project is only US\$23 million. This is not that dissimilar from the previous statistic we presented: that the average BRI-themed project is worth US\$230 million, while non BRI-themed projects are four times smaller on average (US\$60 million).

<sup>15</sup> Excluding projects to which no monetary value was assigned. The average irrespective of thematic focus was 5 percent aid financed.

projects were focused on debt forgiveness: US\$8 billion to Iraq and US\$3 billion to Cuba. On the low end, the smallest dollar projects (each worth less than US\$100,000) were disproportionately financed with grants or concessional loans (90 percent) and focused on non-BRI activities.

Joining together the insights from typical and outlier projects, it appears that the PRC is not monolithic and uses a mix of terms in its projects with other countries. BRI-themed projects tend to be larger-dollar and financed on less generous terms, likely indicating that the PRC expects these activities to generate a clear economic return. By contrast, non-BRI projects tend to be smaller-dollar and financed on more generous terms, perhaps indicating the PRC's desire to win over a country's leaders or public to appreciate its generosity and the benefits of partnering with Beijing.

**Figure 9.** High- and low-dollar outliers in the PRC's official finance portfolio by BRI status and flow type, 2000-2017



*Notes:* The visual shows the distribution of the PRC's highest-value outliers (projects worth over US\$1 billion) and lowest-value outliers (projects worth less than US\$100,000) by BRI-tagged status and flow type, color-coding the share of the high- or low-dollar projects (by count) along each dimension. Sources: AidData's BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData's Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

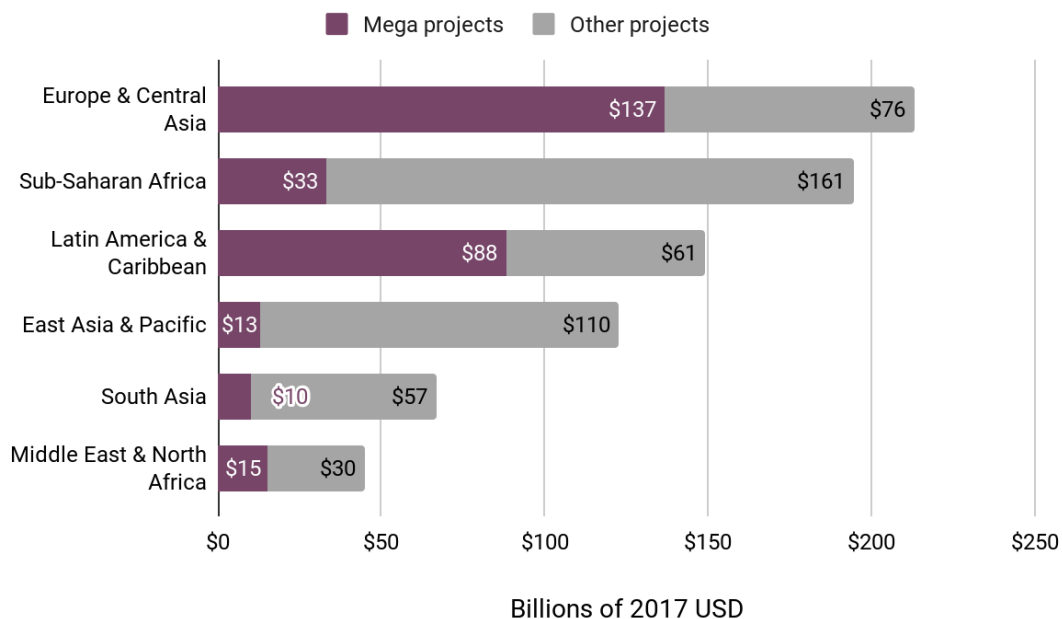
## 2.2 The geography of the PRC's official finance for BRI-themed projects, 2000-2017

Overall, Europe and Central Asia received the greatest share of PRC financing dollars out of any region: US\$200 billion over 18 years, or approximately one quarter of Beijing's total outlay for the period. Nevertheless, this picture is skewed by several extremely large mega projects (Figure 10). The top 1 percent of these outliers include

65 projects (out of more than 13,000 in our database) in 26 countries, each ranging between US\$1.75 billion to more than US\$32 billion.<sup>16</sup> Russia was a top recipient of these often BRI-themed mega projects (US\$100 billion) in the industry, mining, and construction sector.

Excluding outlier mega projects paints a somewhat different view of the PRC's financing priorities: sub-Saharan Africa rises to the top, followed closely by East Asia and the Pacific. Although SSA also attracted US\$33 billion in mega projects from the PRC, this is only one-third of the amount channeled to Russia. The intensity of the PRC's revealed interest in Africa is noteworthy, especially given that the majority of African countries only joined BRI in 2018, past our period of coverage.

**Figure 10.** Regional allocation of PRC official finance for mega and other projects, 2000-2017



*Notes:* This visual shows the PRC's official finance by geographic region, regardless of BRI-tagged status or flow type (aid versus debt). Each stacked bar breaks down the dollar value pertaining to mega projects worth over US\$1 billion (purple) versus other projects (gray). All dollars are in constant USD 2017 for the period 2000-2017. Sources:

<sup>16</sup> ECA and LAC—which respectively host two of the world's largest emerging economies, Russia and Brazil—received the majority of their PRC official finance via mega-projects. ECA has 64 percent of its financing coming from projects in the global top 1 percent, while LAC has 59 percent. All other regions have a much smaller share of financing coming in big ticket projects, ranging from 10 percent to 34 percent. Notably, despite the perception of the China-Pakistan Economic Corridor (CPEC) as a poster child of Chinese mega-projects—with an estimated value of US\$62 billion (Rafiq, 2017)—until 2017, Pakistan had received less than US\$10 billion from mega-projects.

**Finding #3.** The average South Asian country outstrips its peers in other regions, attracting the highest yearly financing across both BRI-themed and other activities, excluding outliers

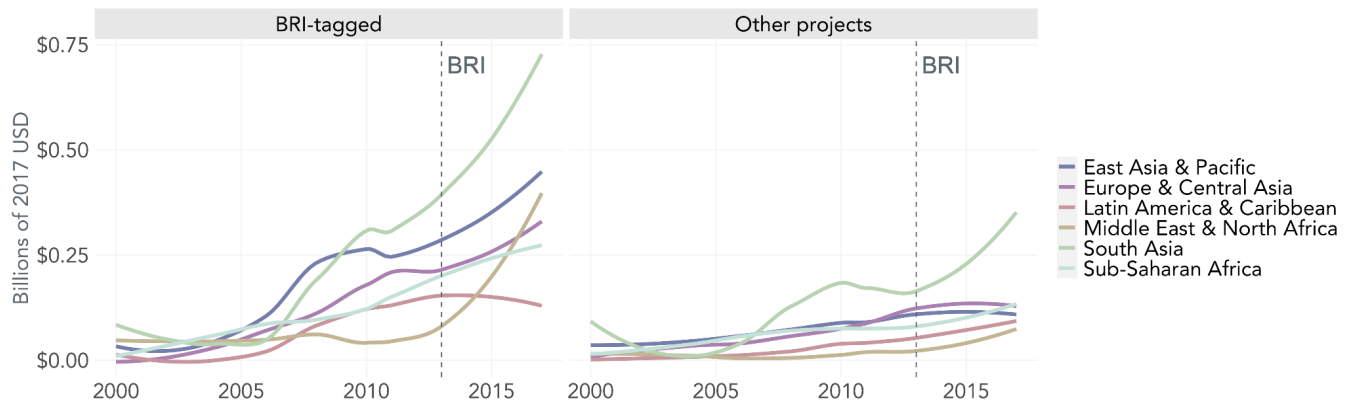
There is a high degree of overlap between the countries that received most BRI-themed and non-BRI financing over the 18-year period. Six of the top 10 recipients of BRI-themed financing—Russia, Kazakhstan, Venezuela, Pakistan, Brazil, and Angola—also received among the highest shares of financing for other project types. Although the majority today are member countries of the BRI, Brazil stands out as an exception, receiving substantial volumes of both BRI-themed and non-BRI financing despite being unwilling to join the membership bloc. Comparatively, there is substantially more variation between the profiles of countries based upon the terms of assistance than key thematic areas of BRI, with middle-income countries most likely to receive financing that they need to repay (i.e., debt instruments approaching market rates) and lower-income countries more likely to receive aid.

Figure 11 below provides a closer look at geographic trends in how the PRC has deployed its official finance by BRI status globally over nearly two decades, highlighting the average dollar amount received by a country in a given region each year for BRI-themed and non-BRI activities. We employed the same statistical technique used above in Figure 6 to apply a curve of best fit to smooth out noisy data and mute the influence of the limited number of very large-dollar projects. Strikingly, the average South Asian (SA) country stands out as receiving more of both BRI-themed and non-BRI financing relative to its peers in other regions, a pattern that emerged even in the early 2000s.

The average country in other top regions for PRC official finance overall—including in ECA, SSA, and EAP—also saw a growing volume of BRI-themed financing throughout the period, but trailed South Asia. This could indicate that the PRC's attention disproportionately benefited some countries in these regions over others, or that the level of financing it devotes to each country is substantially lower. The Middle East and North Africa (MENA) had a slower start, but its average BRI-themed financing

accelerated quickly, shortly before Xi Jinping’s announcement of the BRI, and continued to rise from that point onward.

**Figure 11.** Average yearly PRC official finance received by region and BRI status, 2000-2017



**Notes:** This visual shows yearly PRC official finance, BRI-tagged and non-BRI (other), received by the average country in each region over time, excluding high-dollar (above US\$1 billion) and low-dollar (below US\$100,000) outliers. We used a LOESS (locally weighted smoothing) function, a non-parametric statistical method, to apply a curve of best fit (a smooth line) to our time series data points without assuming a normal distribution. This moving regression is a useful technique to clearly identify long-term trends in inherently noisy data due to several large-dollar projects. Sources: AidData’s BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData’s Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

## 2.3 Five country cases for an in-depth look at PRC official financing of BRI-themed projects

Beijing’s relationships with its partner countries and the types of financing they receive are not necessarily uniform. Examining global trends and regional averages is helpful in gaining a lay of the land, but these can obscure important contextual insights about the PRC’s interactions with different types of countries. In this section, we selected five cases that are illustrative of broader categories of countries that vary along several dimensions: (i) high overall versus high per-capita recipient of PRC financing, regardless of BRI status or flow type (aid versus debt); (ii) official BRI member or not; (iii) for BRI members, whether they signed a cooperative agreement or an MoU; and (iv) low- or middle-income country.



Below, we examine each of these five cases in turn to understand the PRC's revealed priorities in how it structures its overseas development activities with each country, in the hope of identifying broader trends. The five country cases include: Russia (BRI member via cooperative agreement, top-dollar recipient overall, middle-income); Brazil (not a BRI member, top-dollar recipient overall, middle-income); Equatorial Guinea (BRI member via MoU, top per-capita recipient, middle-income); Marshall Islands (not a BRI member, top per-capita recipient, middle-income); and Ethiopia (BRI member via MoU, highest total-dollar recipient among low-income countries).

### 2.3.1 Russia versus Brazil: Top-dollar recipients, but with different BRI member status

Large emerging economies, such as Russia and Brazil, may not be the stereotype of a typical recipient of PRC official financing, but they are in fact consistently among the top-dollar recipients overall. From 2000-2017, Russia and Brazil collectively comprised 20 percent of the dollar value of the PRC's official finance portfolio, receiving upwards of US\$120 billion and US\$40 billion, respectively. However, the vast majority of this activity is in the form of relatively few large projects. Each of these countries had approximately 100 projects financed by Beijing over the period—even when combined, the total number of projects (200) is less than two percent of the PRC's overall portfolio.<sup>17</sup> The four largest PRC-bankrolled official finance projects with any country at any time during the 18-year period were all in Russia and were valued between US\$11 billion and US\$32 billion.

Both countries receive a disproportionate share of their financing for BRI-themed projects (Figure 12), regardless of their membership status—Russia is a BRI member via a cooperative agreement since 2017, while Brazil has been a BRI hold-out. The PRC's revealed interest in partnering with emerging economies started early, well before Xi Jinping's 2013 speeches launching the BRI. But the unique patterns of very few, high-dollar projects makes for a very volatile trendline, with periods of relatively low levels of financing punctuated by stratospheric investments concentrated typically around oil (petroleum).

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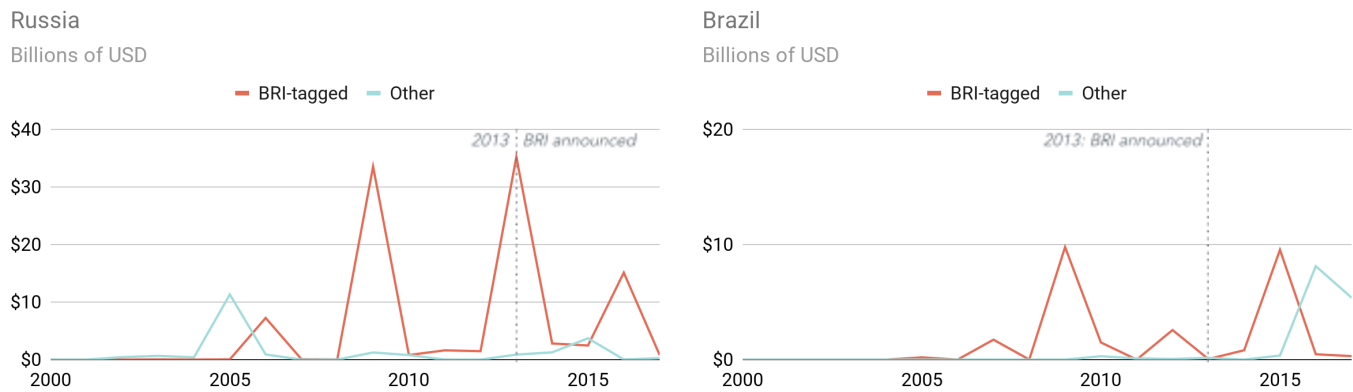
<sup>17</sup> Including projects with or without monetary value attached.

Two peaks in PRC financing to Russia in 2009 and 2013 correspond to just four projects. In 2009, the PRC bankrolled two projects in the industry, mining, and construction sector and one in the energy sector, each valued at more than US\$10 billion. In 2013, Beijing financed a loan to Rosneft, Russia's largest oil company, via an oil prepayment facility worth US\$32 billion. In Brazil, multi-billion-dollar mega projects provide a similar skew in the picture of PRC financing, with large outlays for a US\$9 billion line of credit for oil exploration in 2009 and two projects with Petrobras, the state-owned oil company, worth US\$5.5 billion in 2015.

Neither country, regardless of BRI membership status, receives much in the way of aid from Beijing. Instead, the preponderance of PRC assistance is in the form of official debt financing, indicative of the fact that Beijing expects its investments in these two emerging markets to generate an economic return. The PRC did make a one-off donation of US\$100,000 to the Brazilian Red Cross, but this was an exception rather than the rule. This may be a reflection of income status—both Russia and Brazil are considered to be upper middle-income countries by the World Bank.

It remains to be seen whether this status quo changes in future. There have been ample geopolitical challenges in the years beyond our historical data that may have subsequently affected the relationship between Beijing and these two countries. In the case of Brazil, bilateral relations deteriorated following the 2018 election of President Jair Bolsonaro, a long time critic of China, which may explain the country's unwillingness as yet to join BRI and could hinder prospects for new, high-profile projects (Stuart & Myers, 2021). Russia's 2022 invasion of Ukraine has already led to a halt on new PRC investment, but it is yet unclear if that will be a temporary or permanent effect (White, 2022).

**Figure 12.** PRC official finance to Russia and Brazil by BRI status and dollar value, 2000-2017



*Notes:* These visuals show the volume of Chinese state-directed financing by dollar value to Russia (left) and Brazil (right), categorized by BRI-tagged projects (red) and other activities (blue) from 2000-2017. Financial amounts are in constant 2017 USD. Sources: AidData’s BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData’s Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

### 2.3.2 Equatorial Guinea versus the Marshall Islands: A tale of two small countries

Although they do not rise to the top in terms of overall dollars spent, the Marshall Islands and Equatorial Guinea are among the largest per-capita recipients (first and fourth, respectively) of PRC official finance in the world. Equatorial Guinea (EQG) has maintained a friendly relationship with Beijing since its independence in 1968, relies on the PRC as a top trading partner, and is a signatory to the BRI via an MoU.

Comparatively, the Republic of the Marshall Islands (RMI) is not yet a BRI member and has traditionally been more closely aligned with the United States as a Freely Associated State (FAS). However, RMI’s Compact of Free Association—which grants the U.S. exclusive access to air, land, and sea routes in exchange for generous aid packages—expires in 2023,<sup>18</sup> and Beijing has also provided generous financing to RMI over the years, which it recognizes as a strategic priority.<sup>19</sup>

<sup>18</sup> The Compact of Free Association formalizes the partnership between the U.S. and each FAS—Palau, Marshall Islands, and Micronesia. In 2003, RMI’s Compact was renewed for 20 years; it is set to expire in 2023, with negotiations currently underway (Grossman et al., 2019).

<sup>19</sup> The Pacific Islands more broadly have attracted ample headlines in recent years, in light of heightened geostrategic competition between the PRC and the U.S. in the region. The U.S. missile-defense test range at Kwajalein Atoll in particular is critical to U.S. space and missile-defense capabilities (USIP China-Freely Associated States Senior Study Group, 2022). The Solomon Islands’ decision to switch

Between 2000 and 2017, the PRC provided EQG with roughly ten times more assistance than the entirety of financing provided to the country by all donors reporting to the OECD's Creditor Reporting System combined—US\$5.4 billion versus US\$546 million, respectively. In practice, this means that the PRC bankrolled development projects in EQG worth approximately US\$6,400 per person. However, in keeping with themes observed in the Russia and Brazil case studies above, the single largest PRC investment in EQG was a single US\$2 billion oil-backed buyer's credit facility from EximBank. EQG discovered large oil reserves<sup>20</sup> in the 1990s and more recently uncovered substantial gas reserves, making it an attractive partner to the PRC, which is hungry for energy resources to continue to fuel its industrial-led economy. Intriguingly, EQG is the only one of the five country case studies where financing for non-BRI activities has continuously outpaced BRI-themed projects (Figure 13). However, consistent with what we observed elsewhere, the preferred financing modality for the PRC with EQG was predominantly debt.

Of course, it remains to be seen if EQG's decision to sign an MoU with Beijing to join the Belt and Road Initiative in 2019 (with cooperation priorities identified in infrastructure projects and grid expansion over the next decade) may change the profile of the PRC's investments in the country in future. President Teodoro Obiang Nguema Mbasogo voted with Beijing on the Hong Kong National Security Law at the United Nations, and there are reports of discussions suggesting the PRC intends to establish a military presence in the Atlantic Ocean through a base in EQG (Vergun, 2022).

During the same 18-year period (2000-2017), the RMI received over US\$3.2 billion in official finance from the PRC (roughly US\$55,000 per person) over 30 projects. Despite RMI not yet having joined the BRI membership bloc, the vast majority of the PRC's projects in the country were BRI-themed in nature (Figure 13). However, this obscures a more revealing insight: the entirety of this funding is related to shipbuilding for Chinese companies registered in the Marshall Islands,<sup>21</sup> who are the ultimate beneficiaries of this

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recognition from Taiwan to the PRC in 2019, followed by a controversial security deal signed in 2022, have led to increasing concerns from the U.S. and its allies about Chinese influence in the region.

<sup>20</sup> Equatorial Guinea became a full member of OPEC in 2017.

<sup>21</sup> Illustrative recipients of this financing included: Seaspan Corporation, Lae Shipping, Namu Shipping, Ocean View Owners Limited, Dryships, Navigator Atlas, Erikub Shipping Company, Scorpio Bulk, Star Bulk Carriers, Fortune Lianjiang Shipping, Gener8 Maritime Subsidiary, SBI Valrico Shipping Company, Aster Shipping Company, Aerik Shipping Company, Teekay LNG Partners, and Wake Shipping Company.

lending, as opposed to the local population.<sup>22</sup> These shipping building activities were also financed entirely with debt instruments (e.g., loans approaching market rates and export buyer's credits), indicating the expectation of an economic return.

Notably, the majority of these PRC investments (43 percent of projects) oriented towards the Marshall Islands occurred in 2015 and 2016, coinciding with the November 2015 general elections. This is perhaps an indication that Beijing was hoping for a more sympathetic counterpart who would finally shift allegiance from recognizing Taiwan to embracing the One China policy.<sup>23</sup> Following the election, there was a subsequent drop-off of PRC official finance investments in 2017 and 2018.

It is possible that recent events may shift relations and ultimately the PRC financing portfolio in the country beyond the time period covered by our historical data. The 2019 election in the RMI was closely followed by both Beijing and Washington, as the possible ascendance of a more Beijing-aligned opposition raised the question of whether RMI might yet give up its recognition of Taiwan (Everington, 2019; Tobin, 2019). However, the winner, David Kabua, ultimately maintained the status quo, reiterating during a March 2022 visit the RMI's position as one of only four remaining holdouts in the Pacific that continues to recognize Taiwan (Blanchard, 2022).

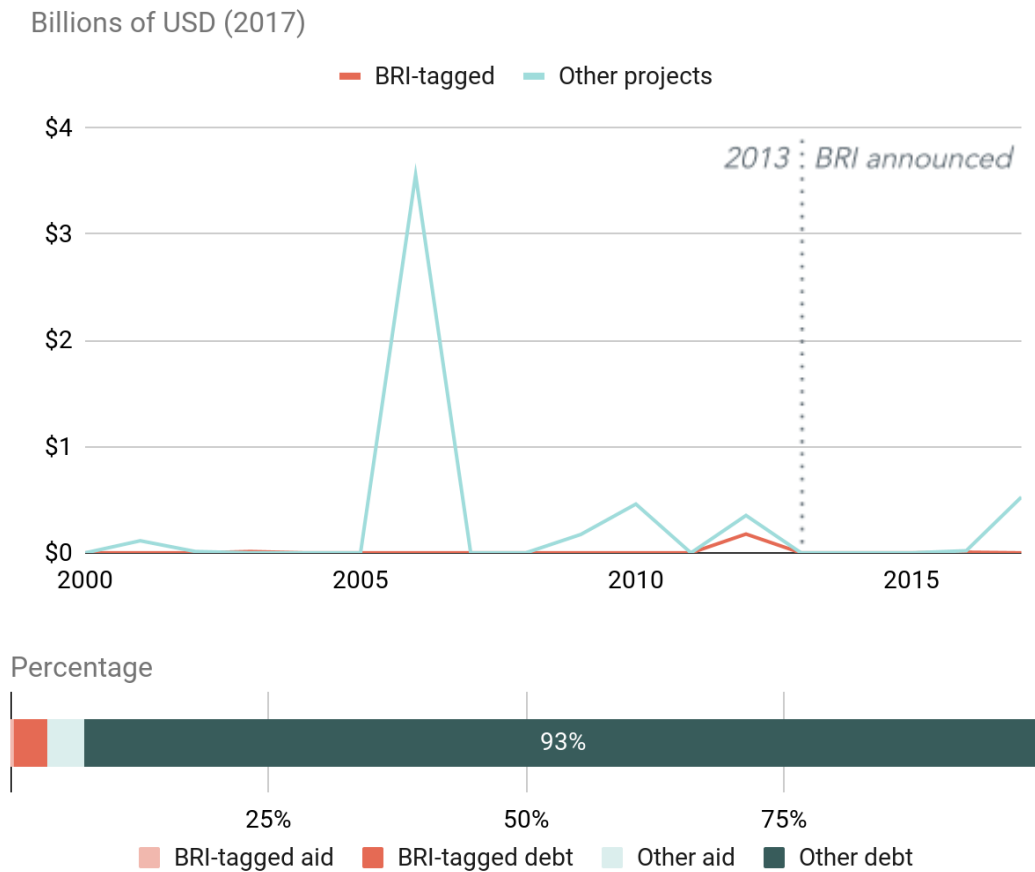
Nevertheless, EQG did marginally benefit from a slightly larger volume of assistance over the years, and the nature of these projects appear to lend themselves more to retaining value within the country, as compared to primarily benefiting Chinese shipbuilding companies in RMI. Moreover, there appears to have been a substantial uptick in new PRC-financed projects in EQG in both 2017 and 2018 (unpublished estimates), but the same cannot be said for the Marshall Islands. This disparity may, of course, be more of a reaction to the Marshall Islands being one of the few remaining holdouts that still recognizes Taiwan.

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<sup>22</sup> Although it is possible that there could be trickle down benefits for the local economy, Chinese companies typically tend to rely more heavily on imported labor and supplies from mainland China, rather than procuring these inputs locally.

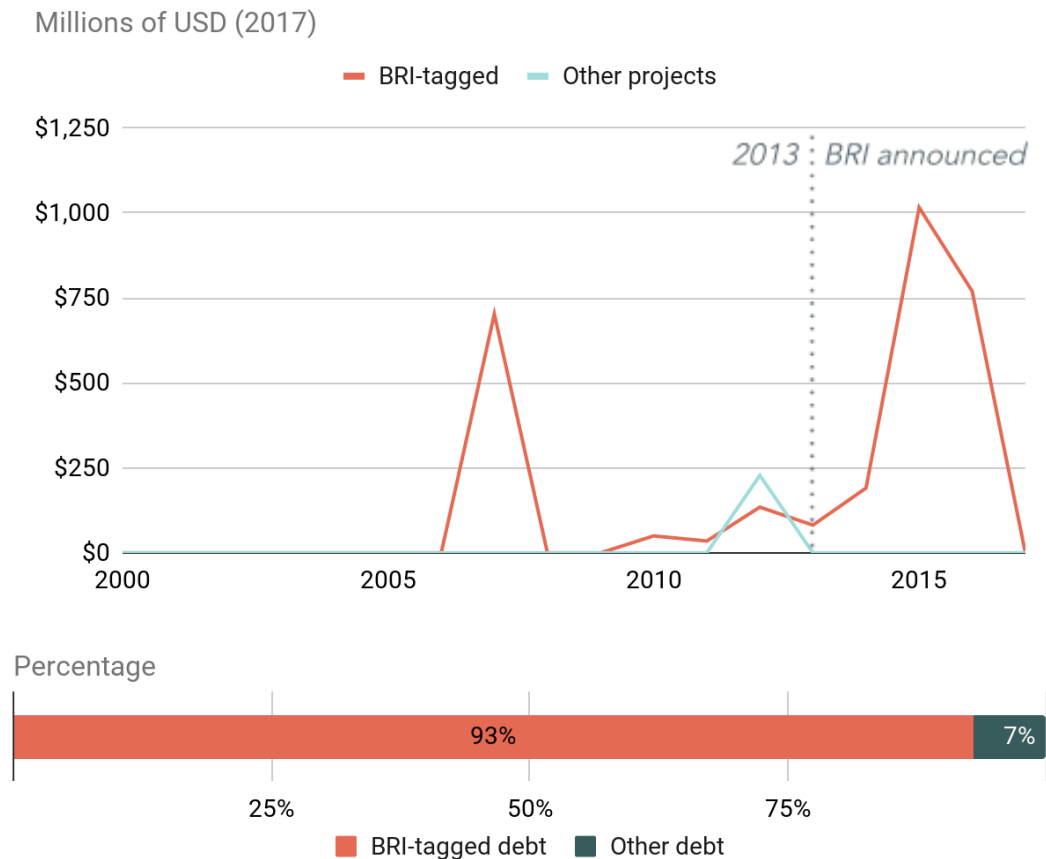
<sup>23</sup> There were no new projects recorded in 2017 or 2018 (the latter according to preliminary, unpublished estimates from AidData).

**Figure 13.** PRC official finance to Equatorial Guinea by BRI status, dollar value, and flow type, 2000-2017



**Notes:** The top visual shows the volume of PRC official finance to Equatorial Guinea for BRI-themed (red) and non-BRI (blue) projects from 2000-2017. The bottom visual shows the percentage of projects disaggregated by flow type (aid or debt) and BRI-tagged status. Financial amounts are in constant 2017 USD. Sources: AidData's BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData's Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

**Figure 14.** PRC official finance to the Marshall Islands by BRI status, dollar value, and flow type, 2000-2017



*Notes:* The top visual shows the volume of PRC official finance to the Marshall Islands for BRI-themed (red) and non-BRI (blue) projects from 2000-2017. The bottom visual shows the percentage of projects disaggregated by flow type (aid or debt) and BRI-tagged status. Financial amounts are in constant 2017 USD. Sources: AidData's BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData's Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

### 2.3.3 Ethiopia: Winning friends and allies among poorer countries

One of the continent's fastest growing economies (Fiala, 2021), Ethiopia is important to Beijing as a stabilizing force in the horn of Africa and as a trading partner with a sizable population. The PRC built the US\$200 million African Union headquarters in Addis Ababa and signed a defense agreement with the Ethiopian military to facilitate joint training, exchange, and peacekeeping operations (Sany & P. Sheehy, 2022). Economic ties between the two countries are strong: Ethiopia is the highest total-dollar recipient of PRC official finance among low-income countries, attracting US\$16 billion over an 18-year period (2000-2017).

Ethiopia stands out as the only one of the five country case studies attracting financing from Beijing on somewhat more generous terms: 42 percent of these funds were in the form of aid, +28 percentage points above the global average for the PRC's partner countries. However, this is fairly typical for how the PRC engages with low-income countries more generally, which receive 43 percent of their financing on average from Beijing in grants and concessional loans.

The Ethiopian government did not officially sign an MoU with the PRC to join the BRI membership bloc until 2019. However, as we can see in Figure 15, BRI-themed projects have long been at the center of the two country's development cooperation, largely outstripping financing levels for other activities since 2006. Although Ethiopia's BRI-themed projects do receive some aid financing from Beijing, the vast majority is in the form of debt. Ethiopia has borrowed heavily from the PRC to fuel high-profile projects such as the Djibouti-Addis Ababa Railway (US\$2.5 billion), increasing its sovereign debt exposure to 11 percent of its GDP (Malik et al., 2021). Such borrowing is a high-risk, high-reward proposition for low-income countries, which essentially gamble that the cost of paying back high-interest loans will be offset by sufficient revenues generated by these investments.

Unfortunately, such gambles seldom work out in the favor of the borrowing country, due to a combination of overly rosy revenue projections and hidden costs that were either unanticipated or the result of collusion between officials and Chinese companies to artificially raise prices. In this respect, the Djibouti-Addis Ababa Railway project is illustrative of the broader challenge of generating sufficient funds for the borrower to pay back their debts with minimal distress. Although completed and in operation since January 2018, the railway has thus far generated less revenue than hoped for, prompting the Ethiopian government to seek debt relief, which the PRC granted by extending the loan repayment period by an additional 20 years.

Looking forward, it remains to be seen how the deadly internal conflict that erupted in late 2020 between the government of Ethiopian Prime Minister Abiy Ahmed and the Tigray People's Liberation Front (TPLF) will affect Beijing's appetite to continue to bankroll development projects amid increasing insecurity (Fiala, 2021).<sup>24</sup> Although the

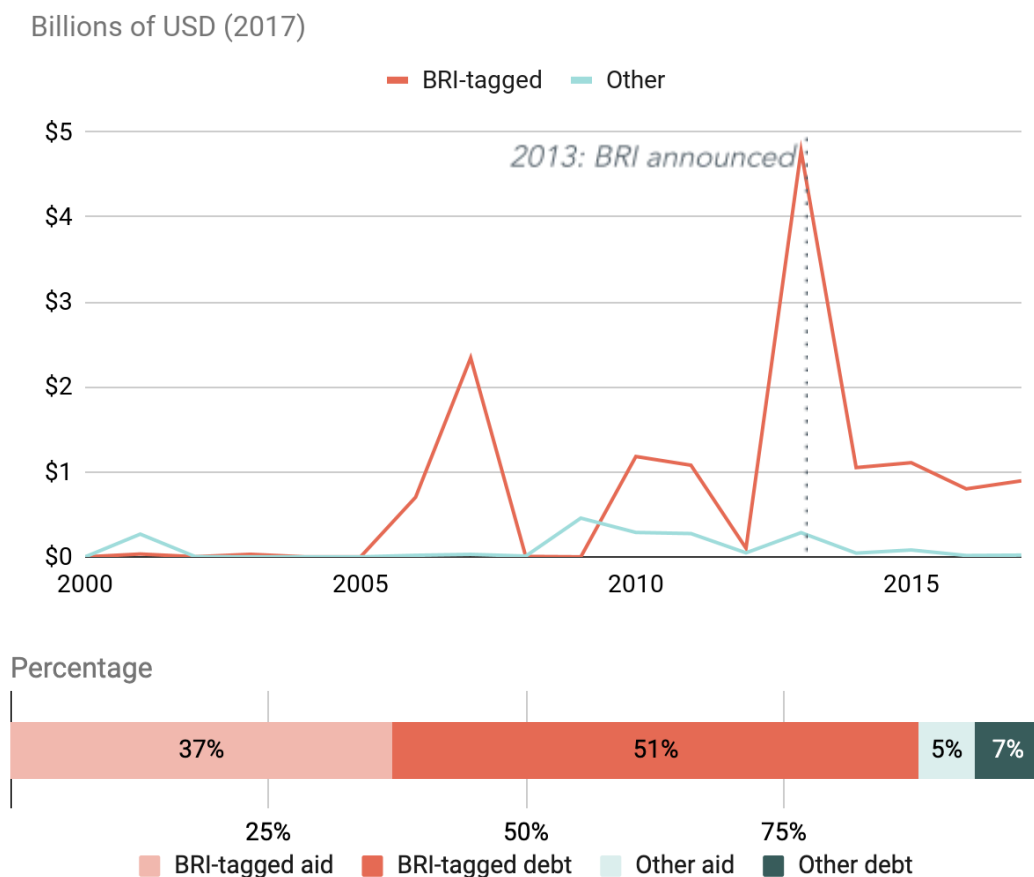
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<sup>24</sup> The hot conflict has resulted in the displacement of over two million people and an estimated death count of 50,000 lives (Sany and Sheehy, 2022). External actors, such as the U.S. and African Union, have been actively involved in trying to broker a cease-fire between the federal government and the TPLF, thus far with no success. The PRC has not joined in these negotiation efforts as yet (ibid).



PRC has largely refrained from getting involved in peacebuilding efforts amidst the recent conflict, Chinese government officials are clearly concerned about protecting their sizable investments in the country. With this in mind, it is unsurprising that Ethiopia and the PRC signed a special agreement between the two countries “establishing a security safeguarding mechanism for major projects under the Belt and Road Initiative” (Xinhua, 2021).

**Figure 15.** PRC official finance to Ethiopia by BRI status, dollar value, and flow type, 2000-2017



*Notes:* The top visual shows the volume of PRC official finance to Ethiopia for BRI-themed (red) and non-BRI (blue) projects from 2000-2017. The bottom visual shows the percentage of projects, disaggregated by flow type (aid or debt) and BRI-tagged status. Financial amounts are in constant 2017 USD. Sources: AidData’s BRI-Tagged Chinese Official Finance Dataset, Version 1.0. (Burgess, B. and S. Custer, 2022); AidData’s Global Chinese Development Finance Dataset, Version 2.0 (Custer et al., 2021; Dreher et al., 2022).

### 2.3.4 Final Thoughts

**Finding #4.** BRI did not radically change the strategic direction of how the PRC supplied overseas development projects, but it gave Beijing an opportunity to make a bid for global leadership

What do these five country case studies tell us about whether and how the PRC's engagement with partner countries has shifted in light of the BRI? First, being a BRI member does not necessarily impact whether or not the PRC is interested in working with a country on BRI-themed projects. Beijing demonstrated a keen and early interest in bankrolling BRI-themed activities across several case study countries since the early 2000s, cooperating with both those who would go on to become BRI members (e.g., Russia, Ethiopia), as well as with those that remain BRI holdouts (e.g., Brazil, Marshall Islands). Intriguingly, Equatorial Guinea, a BRI member via MoU since 2019 similar to Ethiopia, was the sole country case in which the substantive focus of the PRC's official finance was decidedly not on BRI themes.

Second, being on a path towards likely BRI membership does not necessarily mean that Beijing will reward or entice a country with financing on more generous terms than those outside of the bloc. Russia and Equatorial Guinea did not come out farther ahead than Brazil and the Marshall Islands in the generosity of the PRC's financing—Beijing bankrolled projects in all four countries largely with debt, rather than aid.

This was even more clearly the case when it came to BRI-themed projects than other activities. In fact, EQG has the unenviable distinction of being among the top ten borrowers worldwide by percent of its PRC lending that is collateralized (Malik et al., 2021). In these cases, EQG must deposit cash proceeds from its commodity exports into PRC-controlled bank accounts as a hedge against default. As a low-income country, Ethiopia receives somewhat better terms, with over 40 percent of its official finance from the PRC coming as aid rather than debt. But this is on par with the global average for low-income recipients of PRC official finance and is more likely reflective of income level than likelihood of BRI membership. Even so, Ethiopia still had to seek debt relief from Beijing in the face of underperforming infrastructure projects that were not generating sufficient revenues to offset the costs of paying back its loans.

The cross-cutting takeaway from this analysis is that the 2013 launch of the BRI membership bloc did not appear to noticeably alter Beijing's supply of projects for top recipients of PRC official finance—overall or per capita, or in what it funded, who it funded, and with what terms. There may be other intangible benefits for those countries that become a BRI member versus the holdouts that do not. Moreover, since many countries joined the initiative several years after the announcement, differences may yet emerge between the two groups in their dealings with the PRC in future.

To this point, we have exclusively focused on the supply-side of PRC official finance projects. However, there are two sides to this equation—not only the perspective of the financier, but also that of their counterparts in the Global South. In Chapter 3, we aim to better understand the demand side—from analyzing how public perceptions of the PRC have evolved in the era of the BRI and gauging leader impressions of Beijing as a development partner, to taking a more in-depth look at African leaders' experiences of PRC official finance projects and the BRI.

### 3. Demand Side: How have attitudes in the Global South towards Beijing evolved with the BRI?

In Chapter 2, we found that the 2013 launch of the BRI did not appear to noticeably alter Beijing's supply of projects for top recipients of PRC official finance, overall or per capita, in what it funded, who it funded, and with what terms. In many respects, the BRI appears to have been more of a packaging or rebranding of the PRC's official finance portfolio in ways that might best appeal to the demands of partner countries, as opposed to a decisive pivot in Beijing's strategic direction. Yet, this raises another important question: how well has the PRC's (re)packaging worked in stoking demand for Chinese projects in the eyes of foreign leaders and publics in counterpart countries?

On the surface, there is ample indication of demand among low- and middle-income countries to tap into Beijing's ready supply of capital for overseas development projects. An estimated 80 percent of the world's countries now receive PRC financing (either grants or loans), while Beijing's share of total external debt among its 50 largest borrowers has grown to more than 40 percent on average (Horn et al., 2019). But the terms, scale, and implementation of the PRC's BRI investments have been a lightning rod for controversy with citizens, opposition leaders, and other development partners.

In this chapter, we go beyond the news headlines to take the long-view and examine how attitudes of citizens in the Global South towards the PRC have evolved over time and in comparison with other foreign powers (Section 3.1). Then, we view how leaders in the Global South assess Beijing as a development partner (Section 3.2). Finally, we investigate how African leaders understand the trade-offs of partnering with the PRC, the impacts of PRC-financed projects, and the significance of the BRI in their relations with Beijing (Section 3.3). The answers to these questions help us better understand how demand to partner with the PRC has evolved in the era of the BRI in practical terms.

### 3.1 Citizen perceptions of the PRC in the Global South, pre- and post-BRI, 2005-2021

As voters or constituents, citizens' attitudes may create upward pressure that increases or decreases the political space for leaders to undertake new projects or partnerships with a given foreign power. In this chapter, we analyze how citizens' attitudes towards the PRC evolved in absolute terms and relative to other major powers. For this analysis, we use the responses of low- and middle-income countries to the *Gallup World Poll* (GWP)—a household survey conducted annually from 2005 to 2021.<sup>25</sup> Specifically, we use answers to questions about the degree to which citizens in the Global South approved or disapproved of the job performance of senior government leadership of six foreign powers of interest—the PRC, France, Germany, Russia, the U.K., and the U.S.

**Finding #5.** Citizen attitudes towards PRC and U.S. leadership have become more polarized, with growing disapproval and waning uncertainty, amid intensified great power competition rhetoric

Between 2005 and 2021, Beijing sustained a relatively stable base of support from citizens in low- and middle-income countries, with roughly one-third of respondents to the Gallup World Poll reporting that they approved of the job performance of the PRC's senior leaders (Figure 16).<sup>26</sup> However, this apparent stability in approval rates occurred alongside a steady rise in less favorable views towards the PRC in the Global South, as previously uncertain respondents began selecting "disapprove" at higher rates.

This apparent splintering of popular perceptions in the Global South between pro-China and anti-China camps does not appear to be limited to the PRC alone, however, and may be a reaction to intensified great power competition rhetoric. Aside from initially higher rates of disapproval towards the U.S., likely a reaction to the Iraq War, citizen views of major foreign powers (e.g., France, Germany, Japan, Russia) largely moved together with the PRC over time: rising disapproval, lower uncertainty, relatively stable approval. Nevertheless, the spike in disapproval in later years, beginning in 2015

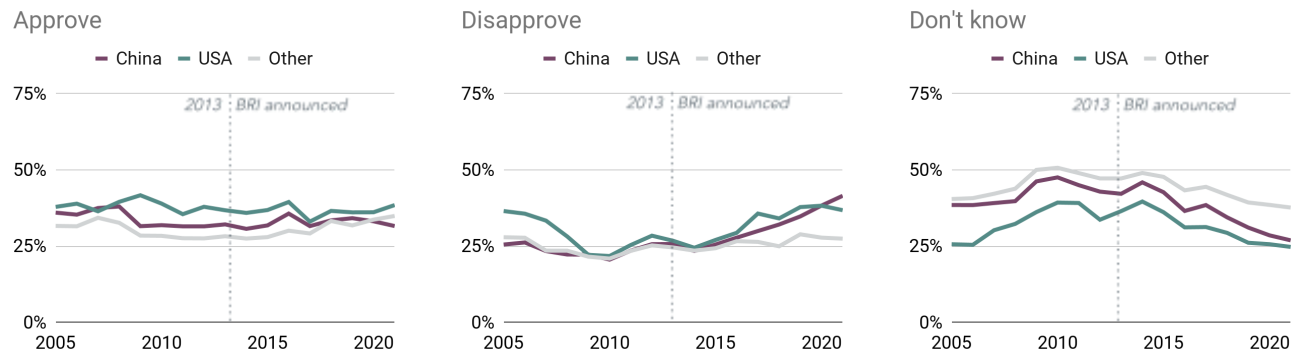
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<sup>25</sup> The time period available for Gallup World Poll data. Note that citizens from high-income countries are excluded from this analysis and results are weighted by countries' population size, unless otherwise stated.

<sup>26</sup> Note that Figure 16 presents the aggregated data weighted by country populations. The trends are very similar to those observed without a weighting scheme, but more pronounced.

through 2021, was most pronounced with regard to the PRC and the U.S.<sup>27</sup> Noticeably, it was not until 2021 when disapproval of the PRC outstripped that of the U.S. for the first time in the 17-year period.

**Figure 16.** Citizen attitudes in the Global South towards foreign powers, 2005-2021



*Note:* This visual shows the percentage of respondents from low- and middle-income countries who said they approved (left panel), disapproved (middle panel), or did not know how they felt (right panel) about the job performance of the leadership of a given foreign power. Responses are disaggregated for the PRC (red) and the U.S. (blue). Responses for four other foreign powers (e.g., France, Germany, Japan, Russia) are combined and the gray line represents the average of this group. Even when disaggregated, the individual trend lines for these four powers were not dissimilar. All responses are weighted. Please see the Technical Appendix for more information on the survey question and weighting schema. Source: Gallup World Poll, 2005-2021.

Of course, the Global South is not monolithic and, in fact, attitudes toward the PRC (and other foreign powers) can and do vary across countries on the basis of both geography and income. Familiarity does not appear to generate a favorability dividend for the PRC, as countries in geographically proximate regions such as South Asia and East Asia and the Pacific exhibited the most pronounced surge in disapproval towards Beijing (Figure 17). Strikingly, even though a disproportionate share of the early signatories to the BRI came from these regions, popular perceptions of the PRC soured rather than improved, on average, during the membership bloc's existence. This may or may not be related to Xi's signature initiative, however, so we examine a few different possibilities.

<sup>27</sup> Both the U.S. and the PRC experienced a modest reprieve in 2014, as fewer respondents expressed disapproval of both powers that year; however, this ultimately turned out to be more of an anomaly than a sustained improvement in favorability. This small blip is largely driven by India, which saw a decrease in disapproval rates in 2014 compared to 2013 for the PRC (-11.6 percentage points) and the U.S. (-3.7 percentage points) in 2014, appearing to coincide with the first visit of the then newly-elected Indian prime minister Narendra Modi to the U.S. as well as a visit from Xi Jinping to India. Because we present GWP data at the global or regional aggregation weighted by population shares, countries with large populations have a greater impact on those trends.

Taking a closer look at one of the most dissatisfied regions—East Asia and the Pacific (EAP)—there are several noteworthy take-aways about perceptions of the PRC. Similar to the global level, disapproval of the PRC surged in EAP, but with several important differences. First, this souring of opinion began much earlier (2011) than what we see in other regions. Second, the driver of this unfavorability does not appear to be coming from those previously undecided, but rather from a weakening base of support, as approval rates plummeted later in the period. Third, attitudes towards the PRC among its EAP neighbors were much more volatile than that of the global average. Yet, countries were not monolithic. Indonesia, the Philippines,<sup>28</sup> and Vietnam<sup>29</sup> were the largest drivers of declining approval and rising disapproval in the region. By contrast, Cambodia saw declining approval rates for both the PRC and the U.S., while Thailand stood out for rising levels of both approval of the PRC and disapproval of U.S. leadership.

EAP countries could be an early warning signal of mounting discontent with the PRC's official finance projects, both pre- and post-BRI. Countries in this region attracted the highest volume of assistance in the early years of the period on average, are farther along in their project implementation and debt repayment cycles than other regions, and were earlier signatories to the BRI membership bloc. Beyond these economic considerations, EAP countries also have a larger number of active territorial disputes over land and maritime boundaries with the PRC—most prominently with regard to competing claims in the South China Sea—which likely shapes popular perceptions (Center for Preventive Action, 2022; Ciociari & Weiss, 2012).

On the opposite end of the spectrum, Sub-Saharan Africa (SSA) sustained the highest level of approval of PRC leadership of any region throughout the period, though some of this enthusiasm has tapered off in recent years. Burkina Faso, Liberia, Madagascar, and Mozambique saw the steepest declines in approval of the PRC across the region. One possible explanation for this trend is also observed across all regions: lower-income countries appear to view the PRC more favorably, on average (i.e., income levels are

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<sup>28</sup> In 2021, the Philippines charted the highest level of disapproval of PRC leadership (72 percent unfavorable) for any EAP country across the entire time period. These appear to not only be losses in favorability in absolute terms, but in relative terms as well, as the Philippines also had the highest approval rate for U.S. leadership (71 percent favorable) for any EAP country that same year.

<sup>29</sup> Disapproval of the PRC peaked in Vietnam in 2016 (59 percent unfavorable) and subsequently tapered off (29 percent) in 2021. At least some of this animosity likely tracked with current events, such as a 2014 incident in which a Chinese-operated oil rig went deep into Vietnamese territory and satellite imagery in 2016 revealing that the PRC had begun setting up “necessary military facilities” in the South China Sea (Panda, 2014, 2016).

negatively correlated with the PRC's approval rates). As the SSA region is home to the largest number of low-income countries, it stands to reason why they also have the most favorable views of the PRC, at least on this measure.

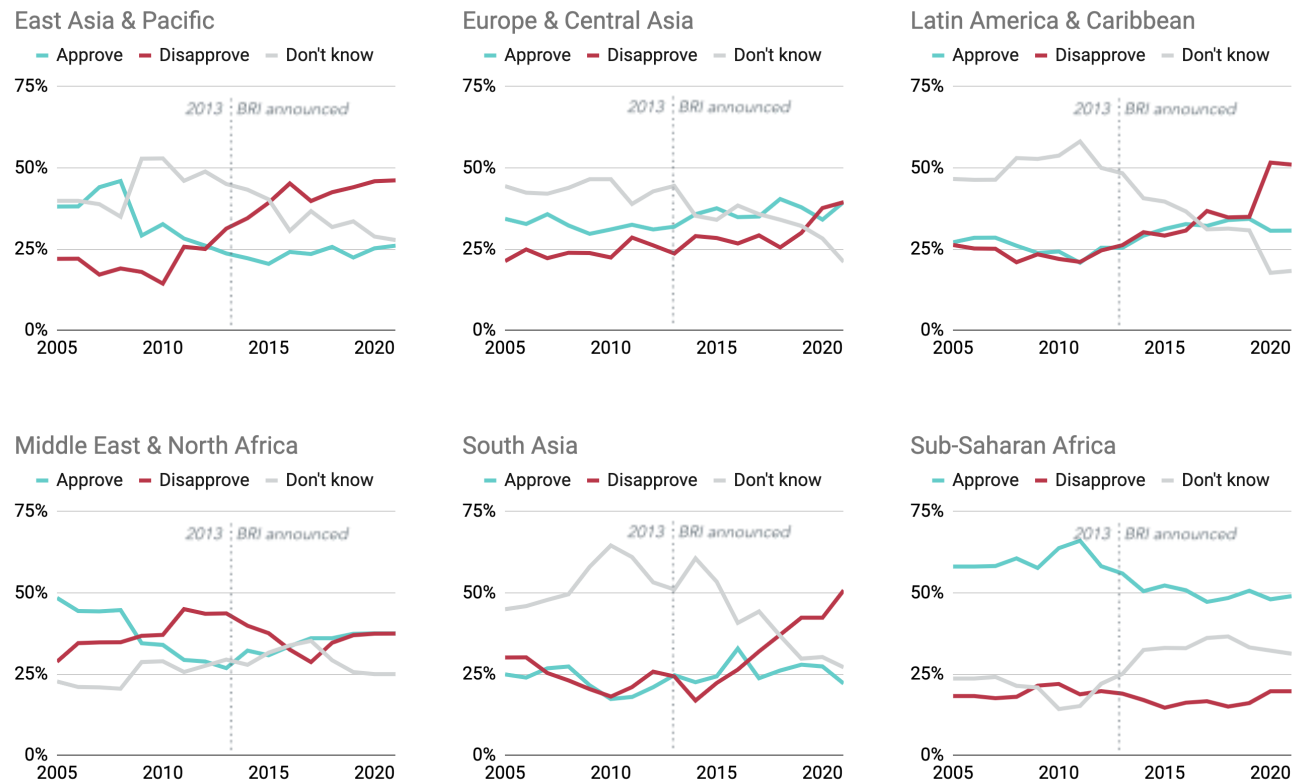
Yet, this does not appear to be unique to the PRC, for we observe the same dynamic between income levels and perceptions of U.S. leadership. As in Chapter 2, we employed a statistical technique to apply a curve of best fit to smooth out noisy data that is easily skewed by the preferences of larger countries, to better pinpoint trends by income group. Figure 18 illustrates that the PRC and the U.S. enjoyed the highest favorability with low-income countries of any income group, on average, even as approval rates for both powers waned between 2005 and 2021. Comparatively, the PRC and the U.S. both garnered relatively lower levels of approval among respondents from lower-middle and upper-middle income countries; however the story is somewhat different in these two groups.

Among lower-middle income countries, attitudes towards the two great powers were fairly stable over the 17-year period, with the U.S. maintaining somewhat higher favorability than the PRC. Views in upper-middle income countries were much more volatile, with reversals in the relative fortunes of the PRC and the U.S. at two different inflection points. Upper-middle income countries held the PRC's leadership in higher esteem than U.S. counterparts at the beginning (2005) and end of the period (2016-present), but the group reported higher levels of approval of the U.S. in between.

Although we cannot say for certain why we see this divergence in attitudes by income level, this could reflect differences in their perceived (and actual) negotiating power. Lower-income countries have fewer opportunities to access capital to advance their goals—international sovereign bond markets and private sector companies may view them as riskier investments, while even some development partners may have hesitations about working with fragile states. In this respect, citizens in countries for which the choice of partners is more constrained may view any viable partner more favorably as providing much needed short-term relief and long-term investment. By contrast, as countries' incomes rise, they may have more choices of partners and sources of capital, making favorability more conditional on bilateral relationships and inviting greater pressure to 'pick sides.'

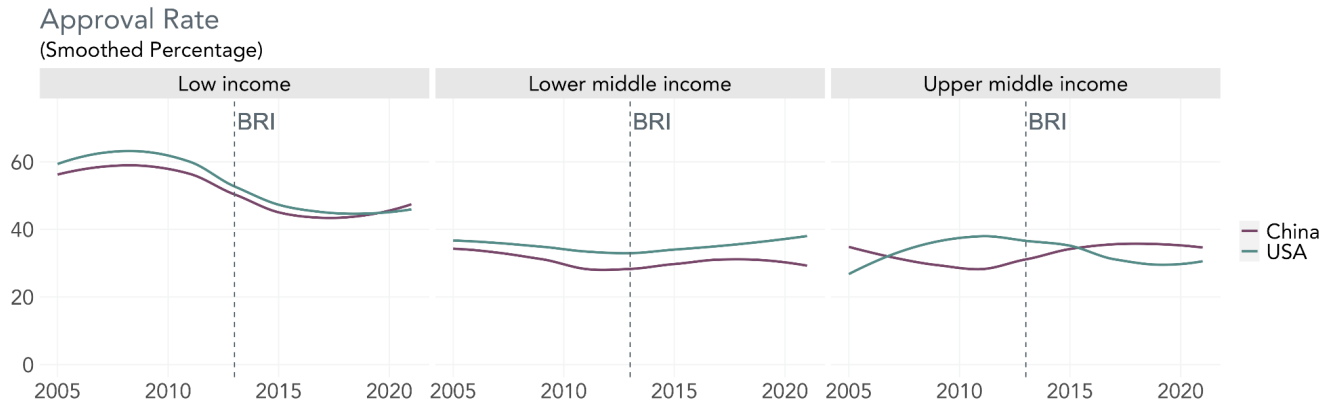


Figure 17. Citizen attitudes towards the PRC by region, 2005-2021



*Note:* This visual shows the percentage of respondents from low- and middle-income countries who said they approved (blue line), disapproved (red line), or did not know how they felt (gray line) about the job performance of the leadership of the PRC, broken out by region. All responses are weighted. Please see the Technical Appendix for more information on the survey question and weighting schema. Source: Gallup World Poll, 2005-2021.

Figure 18. Citizen attitudes towards the PRC and U.S. by income level (smoothed), 2005-2021



*Note:* This visual shows the percentage of respondents from low-income (left), lower-middle income (middle), and upper middle-income countries (right) who said they approved of the leadership of the PRC (red line) or the U.S. (blue line).

*For this analysis, we employed a LOESS (locally weighted smoothing) function, a non-parametric statistical method, to apply a curve of best fit (a smooth line) to our time series data points without assuming a normal distribution. This moving regression is a useful technique to clearly identify long-term trends in inherently noisy data due to individual country responses. All responses are weighted. Please see the Technical Appendix for more information on the survey question and weighting schema. Source: Gallup World Poll, 2005-2021.*

**Finding #6.** BRI member countries view Beijing more favorably than the holdouts, but this appears to be less a consequence of joining the bloc than a predisposition of those likely to join anyway

Do BRI member countries view the PRC more favorably than the holdouts? If so, why is that the case: does participation in the membership bloc change perceptions of the PRC, or do perceptions of the PRC drive the decision to join the BRI in the first place? In Figure 19, we see that approval of PRC leadership was indeed roughly 20 percentage points higher among BRI member countries, on average, than the holdouts; however, this divergence in attitudes was true across the entire 17-year time period, beginning well before President Xi's announcement of the BRI in 2013. On the surface, BRI membership appears to have been sought by countries with existing higher approval rates of PRC leadership, though this does not indicate animosity towards the U.S., as approval rates of the two were similar.

Comparatively, non-member countries tend to have consistently higher levels of approval of U.S. leadership than the PRC and their disapproval of Beijing has sharply increased since 2014. Although this is likely not entirely due to the inception of the BRI membership bloc (as opposed to other aspects of the PRC's foreign and domestic policies), this divergence of in-group versus out-group attitudes towards the PRC points to the emergence of a splintering between those in the club who view cooperation and warm relations with Beijing as the norm, and those on the outside looking in who are choosing to stand apart and seek other alliances.

We further conducted two statistical tests to systematically assess whether the PRC derived a favorability dividend from the BRI: one in which we consider the announcement of the BRI in 2013 as the time of treatment, regardless of when a country joined the membership bloc, and one in which we considered the specific year of entry for each country.<sup>30</sup> We find that member countries' positive impressions of the PRC did

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<sup>30</sup> To test our hypothesis that the BRI led to higher approval of PRC leadership, we used a quasi-experimental technique called difference-in-difference which compares changes over time between a group enrolled in a program (i.e., the treatment group) versus those who are unenrolled (i.e., the control group). For this exercise, we ran two different difference-in-difference models. In the first model, we

indeed predate their joining the BRI (i.e., they had higher approval rates of PRC leadership before the 2013 announcement). Nevertheless, we also find evidence of a favorability boost from signing either a cooperative agreement or MoU with the PRC, timed to when member countries formally joined the bloc.

There are several plausible explanations for these trends. Joining the BRI is a relatively costless signal for a country that already had warm relations with Beijing to remain in good stead, without incurring much risk. Signing a cooperative agreement, as compared to a memorandum of understanding, does not typically include highly specific or enforceable requirements that must be met. This might also be an indication that the holdouts (i.e., non-BRI members that are either non-aligned or US-aligned countries) are possibly refraining from membership for philosophical or political reasons. In this respect, joining the BRI would be a more costly sacrifice of principle or political capital for such countries, even if these agreements have minimal teeth. Alternatively, BRI membership could have a tempering effect on participants' criticisms of PRC leadership; this is less probable, however, given the consistency in rates of PRC leadership approval among current BRI member countries over the entire time period, even pre-2013.

A closer look at the 20 BRI holdouts among low- and middle-income countries reveals a few countries that view themselves as the PRC's near-peer competitors, such as Brazil and India, who may be reluctant to join the bloc for fear of strengthening Beijing's relative power. Half are Latin American countries<sup>31</sup> that have deep economic and security ties with the U.S., such that they may be concerned that joining the BRI might impair relations with Washington. Kosovo and Eswatini have closer relations with Taiwan than Beijing. Taiwan has recognized Kosovo since 2008 (Reuters, 2008) and further cemented ties with reciprocal parliamentary friendship groups (Chen, 2021).<sup>32</sup> By contrast, the PRC refused to recognize Kosovo and was against NATO intervention in the Bosnian war (Rath, 2000; Yan, 2003). Eswatini is one of a dwindling number of states

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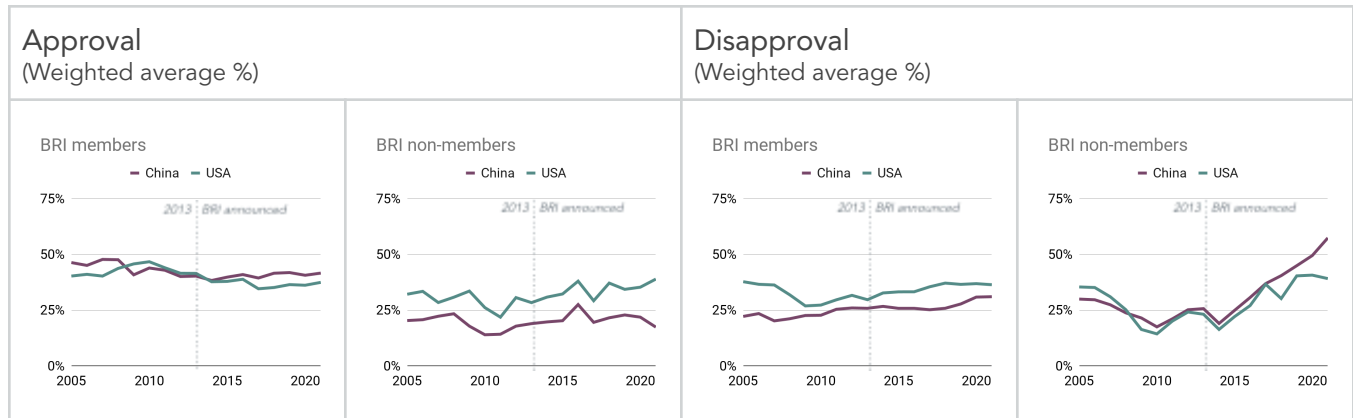
compared BRI members versus non-BRI members, using the 2013 announcement of the BRI as the time of treatment, regardless of when a country joined the membership bloc. In the second model, we consider the specific timing of entry into the BRI for each country. For more information on the methods and results, please refer to the Technical Appendix.

<sup>31</sup> These include Argentina, Belize, Brazil, Colombia, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Paraguay.

<sup>32</sup> As reported by Taiwan News (2021), "Taiwan and Kosovo on Monday [Dec. 20, 2021] mutually established the Taiwan-Kosovo Parliamentary Group in the Legislative Yuan and the Kosovo-Taiwan Friendship Group in the Balkan nation's Assembly."

that maintain formal recognition of Taiwan. Others are part of the non-aligned movement, which refrains from formal alliances with any major bloc or power.<sup>33</sup>

**Figure 19.** Citizen attitudes towards the PRC and U.S. by BRI membership, 2005-2021



*Note:* This visual shows the percentage of respondents from BRI member countries and non-member countries who approved (left panel) and disapproved (right panel) of the leadership of the PRC and the U.S. between 2005-2021. All responses are weighted. Please see the Technical Appendix for more information on the survey question and weighting schema. Source: Gallup World Poll, 2005-2021.

### 3.2 Global South leader perceptions of the PRC as a development partner, 2014-2022

Although citizens' voices are important, the perceptions of their leaders—government officials, civil society representatives, and private sector leaders—may be even more consequential in shaping interactions between countries and foreign powers. AidData fields its *Listening to Leaders Survey* across 141 low- and middle-income countries once every three years—with past waves conducted in 2014, 2017, and 2020. Nearly 7,000 leaders shared their perspectives in response to the 2020 survey. We draw upon their insights and those from previous survey waves to understand the PRC's perceived performance as a development partner vis-à-vis other major powers.

<sup>33</sup> For example, this includes Bhutan, Jordan, Malawi, Mauritius, Niger, Syria, and Turkmenistan. Interestingly, membership in the non-aligned movement does not necessarily deter other countries from joining the BRI, as nearly every African country is part of it but most African countries have signed either an MoU or CA to formally join the BRI.

Further supplementing this, AidData fielded a special *BRI Perceptions Survey* in July and August 2022 to African leaders from 55 countries and semi-autonomous regions. Eight hundred and sixty-one African leaders provided timely insights on: (1) the level of activity of the PRC and other major powers in supporting development projects in their countries; (2) whether they approve of the PRC's leadership; (3) their preferred development partners by focus sector; and (4) the degree to which they find the PRC's development model to be attractive.

### 3.2.1 Global leader perspectives on the PRC as a development partner

In keeping with the evolution of the BRI from backyard diplomacy to a truly global initiative (as described in Chapter 1), so too have we seen a corresponding increase in the number and diversity of respondents who reported working with the PRC in the context of its overseas development projects. Although it was officially announced in 2013, the largest influx of countries joining the BRI membership bloc was in 2018. We see this global expansion mirrored in our *Listening to Leaders* Survey data.

Beijing initially had a relatively small footprint, in keeping with other South-South cooperation providers. In 2017, just before the influx of new BRI members, only eight percent of respondents from 61 countries reported receiving advice or assistance from the PRC. By 2020, 15 percent of respondents from 113 countries reported doing so, an increase of seven percentage points and 52 countries within just three years (Table 1). Although this was less than half of those who engaged with the U.S. (40 percent of respondents, 132 countries), the PRC outstripped G-7 powers such as Canada and France, as well as its BRICS counterparts. The PRC saw the largest gains among leaders in Sub-Saharan Africa and East Asia and the Pacific, which account for the largest share of BRI signatories (Nolan and Leutert, 2020; Custer et al., 2021).

**Finding #7.** In the BRI era, a growing share of leaders from 113 countries receive the PRC's assistance and find it more influential and helpful

Respondents who reported receiving advice or assistance from a foreign power on the *Listening to Leaders* Survey had the opportunity to rate their performance as a development partner in three respects: (1) influence in shaping how leaders prioritize

which problems to solve;<sup>34</sup> (2) whether that influence was seen as positive or negative;<sup>35</sup> and (3) helpfulness in supporting leaders to implement policy changes (i.e., reforms).<sup>36</sup> The PRC improved on both the influence and helpfulness measures between the 2017 and 2020 surveys in both absolute and relative terms. Leaders were only asked about whether that influence was positive or negative in the 2020 survey wave.

Seventy-six percent of leaders who interacted with the PRC in 2020 thought it was quite or very influential, making Beijing the second highest-ranked bilateral donor, just behind the U.S. (83 percent of leaders) (Table 1). Moreover, the PRC charted the single largest net improvement in influence between 2017 and 2020 of any development partner (+13 percentage points). On helpfulness, seventy-seven percent of leaders who interacted with Beijing in 2020 thought it was quite or very helpful in supporting implementation of policy changes (+14 percentage points from the previous survey in 2017).

Some of these performance improvements could be attributed to greater consolidation of the PRC's development assistance program, such as the inclusion of foreign aid in nine areas of reform identified by the Central Leading Group for Comprehensively Deepening Reforms in 2017 and the formation of the China International Development Agency in 2018 (Rudyak, 2019; Custer et al., 2021).

Alternatively, these scores could indicate an appreciation for the ways in which the PRC structures its assistance with developing countries. Leaders had a revealed preference for projects that were higher value, focused on infrastructure, and seen as responsive to national priorities—all areas of relative strength for the PRC, as discussed in Chapter 2. In this respect, Beijing's typical practice of sourcing ideas directly from politicians and bankrolling big-ticket infrastructure projects is highly attractive.

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<sup>34</sup> For those development partners from whom they reported receiving advice or assistance, respondents were asked the following question: "You indicated that the foreign and international organizations below provided [organization] with advice or assistance. How influential were they on [organization] decision to pursue this initiative? Influence here is defined as the power to change or affect the policy agenda." Respondents select among "not at all influential," "only slightly influential," "quite influential," "very influential," "don't know/not sure," and "prefer not to say." For simplicity, we combine the first two response options to imply no influence and the third and fourth options to imply influence.

<sup>35</sup> For those development partners they identified as being quite or very influential, respondents were asked the following question: "For the donors listed below, do you think their influence [on country] is generally positive or negative?" Respondents could select among "very negative," "somewhat negative," "somewhat positive," "very positive," "don't know/not sure," and "prefer not to say."

<sup>36</sup> For those development partners from whom they reported receiving advice or assistance, respondents were asked: "In your opinion, how helpful were each of the following organizations to the implementation of this initiative? Helpful here is defined as being of assistance in implementing policy changes." Respondents select among "not at all helpful," "only slightly helpful," "quite helpful," "very helpful," "don't know/not sure," and "prefer not to say." For simplicity, we combine the first two response options to imply not helpful and the third and fourth options to imply helpfulness.

Nevertheless, Beijing's projects are not a silver bullet that tick all the boxes of what leaders say they want, such that it is likely that there are other factors in play. For example, respondents to the 2020 *Listening to Leaders Survey* placed a premium on projects that were transparent and generous in the terms of assistance, as well as being favorable to a higher degree of conditionalities and regulations than we anticipated. None of these attributes characterize typical PRC official finance projects. Instead, part of Beijing's influence likely stems from its broader economic and political importance globally, which was among the top reasons cited by respondents.

However, leaders were somewhat divided as to whether the PRC's influence as a development partner was necessarily positive for their country's development. When we take into account the percentage of respondents who felt the PRC's influence was somewhat or very negative for their country, its overall rank as a development partner slips from 8th to 17th overall. By implication, though the PRC is highly influential in the Global South and has increased its geographic reach in the era of the BRI, it must overcome some apparent hesitation about the downstream outcomes of partnering with Beijing. This is a theme that we explore more thoroughly in our *BRI Perceptions Survey* of African leaders, discussed in the next section.

**Table 1.** Global South leader perceptions of the influence and helpfulness of the PRC and other powers, 2017 and 2020

Survey Measure	PRC	U.S.	U.K.	France	Russia	South Africa
<i>Influence 2017</i>	64%	80%	72%	62%	-	-
<i>Influence 2020</i>	76%	83%	76%	65%	57%	64%
Change	+12	+3	+4	+3	-	-
<i>Helpfulness 2017</i>	63%	81%	77%	75%	-	-
<i>Helpfulness 2020</i>	77%	86%	83%	73%	64%	60%
Change	+14	+5	+6	-2	-	-

*Notes:* This table shows the percentage of respondents who felt a given foreign power was influential in shaping policy priorities within their country (influence) and helpful in supporting implementation of policy reforms in their country (helpfulness). Scores are provided for both survey waves 2017 and 2020 where are available; in cases where they are not, this is denoted with a dash. The rows labeled "change" correspond to the percentage point difference between waves if two years of data were provided.

### 3.2.2 African leaders' perspectives on the PRC as a development partner

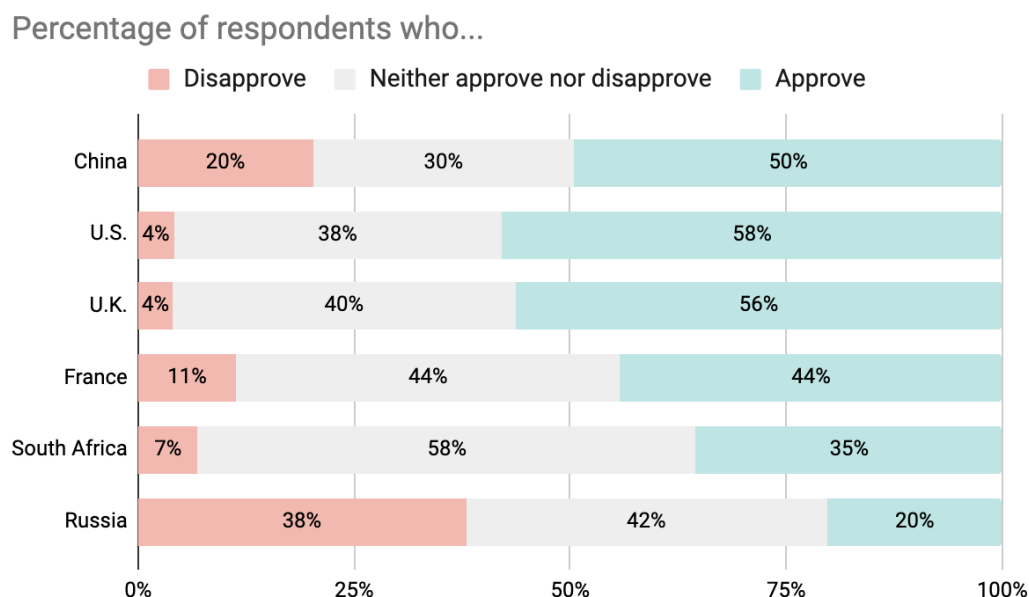
Africa has emerged several times already throughout this report. Although the early decades of the PRC's development assistance program was focused on its proximate neighbors in the Asia-Pacific, Beijing has increasingly looked farther afield. Sub-Saharan Africa, in particular, stands out for its high share of BRI member countries (Chapter 1), large inflows of PRC official finance (Chapter 2), and its 54 percent of local leaders who reported receiving Beijing's advice or assistance on our 2020 *Listening to Leaders Survey* (Section 3.2.1). AidData's *BRI Perceptions Survey* therefore probed deeper to understand how African leaders assessed the PRC as a development partner.

First, to provide a baseline, we asked our sample of leaders the same question (as was posed to citizens in the Gallup World Poll) about the degree to which they approved or disapproved of the leadership of a given foreign power. As shown in Figure 20, half of the African leaders surveyed approved of the PRC. This slightly trails but is fairly close to attitudes towards the U.S. and the U.K., which received 58 and 56 percent approval respectively. This is also consistent with the roughly 50 percent of citizens who approved of both the PRC and the U.S. in the 2021 Gallup World Poll.

African leaders were less ambivalent towards the PRC, as they gave it the smallest share of neutral responses (neither approve nor disapprove) and higher levels of disapproval than for other leading powers, which may reflect more polarized views on China across the continent. Perhaps unsurprisingly, given the timing of our survey, Russia attracted the least favorable views overall—38 percent of African leaders disapproved and only 20 percent approved of the Kremlin's leadership. This may already reflect African leaders' reactions to Russian President Vladimir Putin's invasion of Ukraine in February 2022, as the survey was conducted in July and August, after the start of the conflict.



**Figure 20.** African leaders' perceptions of the PRC and other powers, August 2022



*Notes:* This visual shows the percentage of African leaders who said that they approved, disapproved, or neither approved nor disapproved of the performance of the leadership of each foreign power. This excludes respondents who selected “don’t know/prefer not to say” for a given foreign power. Source: AidData’s 2022 BRI Perceptions Survey.

**Finding #8.** Most African leaders say the PRC is their preferred partner for infrastructure and the U.S. for governance, regardless of subregion, regime type, or colonial ties

The PRC and the U.S. stand out in the eyes of African leaders, who viewed them as the most active in supporting their country’s development over the past decade (2012–2022). Over three-quarters of African respondents said they viewed the PRC and the U.S. as highly active (Figure 21), compared to roughly 60 percent for the U.K. and France, with only one-fifth saying the same of Russia and South Africa.<sup>37</sup> These results were durable across most sub-regions, as the PRC was consistently seen as highly active

<sup>37</sup> We classify high activity as responses of “very active” or “moderately active” and low activity as responses of “minimally active” or “not active at all.”

by at least 70 percent of respondents.<sup>38</sup> The exception was Northern Africa, where 54 percent of respondents said the PRC was only minimally active.<sup>39</sup> These perceptions are consistent with reality, as Northern Africa received the second-lowest level of PRC official finance projects: US\$22 billion between 2000 and 2017, or only 11 percent of total financing to the African continent (Custer et al., 2021).<sup>40</sup>

Less democratic countries reported higher levels of PRC and Russian activity in supporting their development, on average, than engagement with the U.S., U.K., and South Africa (Figure 22). The opposite was true for more democratic countries, which reported higher levels of activity from fellow democracies such as the U.S., U.K., and South Africa.<sup>41</sup> France stands somewhat apart from this general rule, as leaders from autocratic countries were more likely to report higher levels of its support, perhaps due to former colonial ties outweighing other factors.

This apparent diversification could be reflective of supply—if democracies are more likely to support fellow democracies and authoritarian regimes are more comfortable financing autocracies. Alternatively, this could be indicative of demand, if leaders in low- and middle-income countries prefer to engage with partners that share similar governing philosophies.

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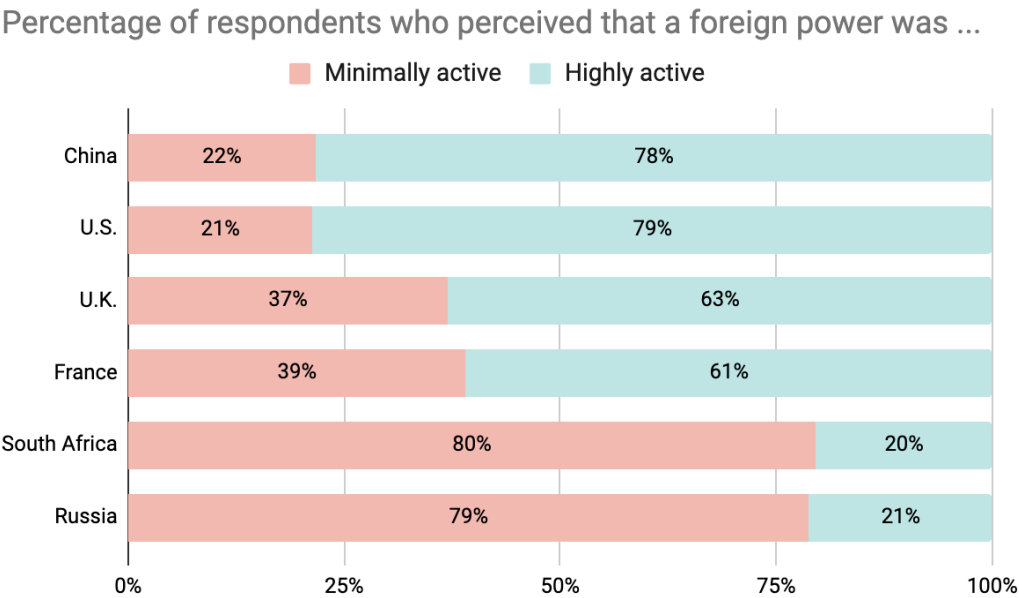
<sup>38</sup> Comparatively, the sub-region where the PRC is perceived as more active than the U.S. is Middle Africa, where 83 percent of respondents report high activity from Beijing, while only 60 percent report high activity from the U.S. The countries included in Middle Africa are Angola, Cameroon, the Central African Republic, Chad, the Democratic Republic of Congo, Equatorial Guinea, Gabon, the Republic of the Congo, and São Tomé and Príncipe.

<sup>39</sup> Interestingly, this was not the case for the U.S., where Northern African respondents continued to report high levels of U.S. engagement. The Northern Africa sub-region includes Algeria, Egypt, Libya, Morocco, Sudan, South Sudan, and Tunisia.

<sup>40</sup> This could be a reflection of more limited demand—for example, if Middle Eastern donors such as Saudi Arabia are crowding out the PRC's efforts in Northern Africa. Alternatively, this could reflect hesitations on the PRC's part to supply higher levels of assistance, either in light of political instability or more pronounced language barriers.

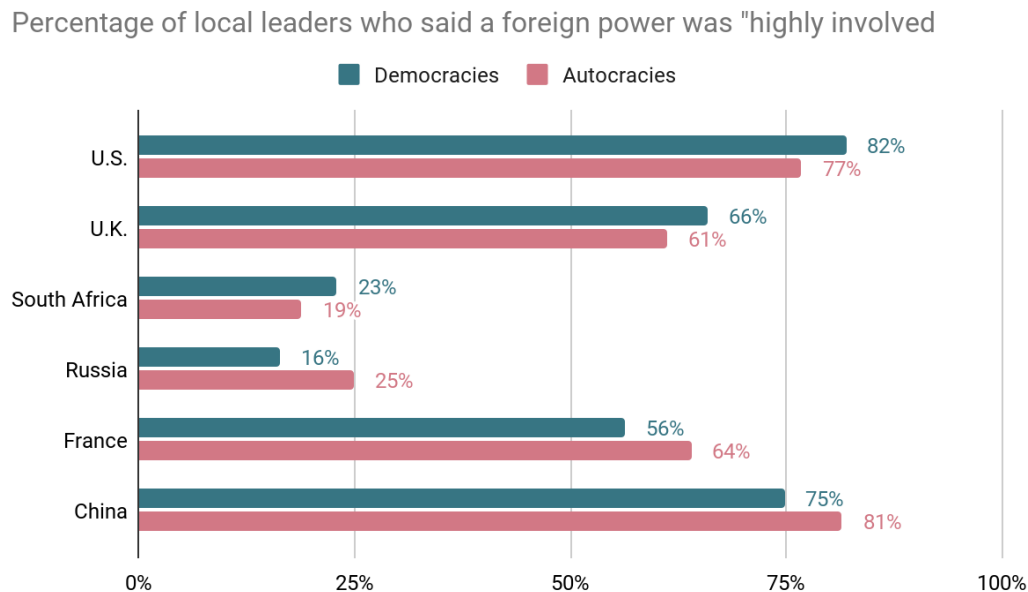
<sup>41</sup> We use V-Dem's regimes of world classification and collapse their original four categories (closed autocracy, electoral autocracy, electoral democracy, and liberal democracy) into only two: autocracy and democracy (Lührmann et al., 2017).

**Figure 21.** African leader perceptions of the PRC and others’ level of activity in supporting development in their countries, August 2022



*Notes:* This visual shows the percentage of respondents who felt a given foreign power was highly or minimally active in supporting development projects in their country. This excludes those respondents who selected “don’t know/prefer not to say.” Source: AidData 2022 BRI Perceptions Survey.

**Figure 22.** African leaders in democracies versus autocracies who view the PRC and other powers as “highly involved” in supporting development, August 2022



*Notes:* This visual shows the percentage of respondents from autocracies and democracies that felt that a given power was highly involved in supporting development projects in their country. Source: AidData 2022 BRI Perceptions Survey.

African leaders view development partners as having specialized and differentiated expertise that defines their particular value propositions. The BRI is about more than infrastructure, but that appears to be clearly top-of-mind when African leaders think about Beijing’s value proposition vis-à-vis other potential partners (Figure 23). Forty-six percent of respondents identified the PRC as their preferred partner (from a list of six bilateral actors) in the energy, transport or telecommunications sector, with France and the U.S. as distant second and third choices (16 and 8 percent). This is consistent with the finding in our *Listening to Leaders Survey* that the PRC was seen as the most influential development partner in the rural development sector.

By contrast, the PRC is an afterthought for African leaders seeking partners on governance and rule of law; only 1 percent of leaders selected Beijing as their preferred partner for projects in this sector. Instead, African leaders appear to view Western

democracies—particularly the U.S. (32 percent), followed by the U.K. and France—as top partners on governance. The bifurcation between how leaders see the PRC versus Western democracies is not as pronounced in other sectors (such as health, education, or social protection and natural resource management or environmental protection) but the PRC and Russia still trail behind France, the U.S., and the U.K. as African leaders’ preferred partners in these sectors.

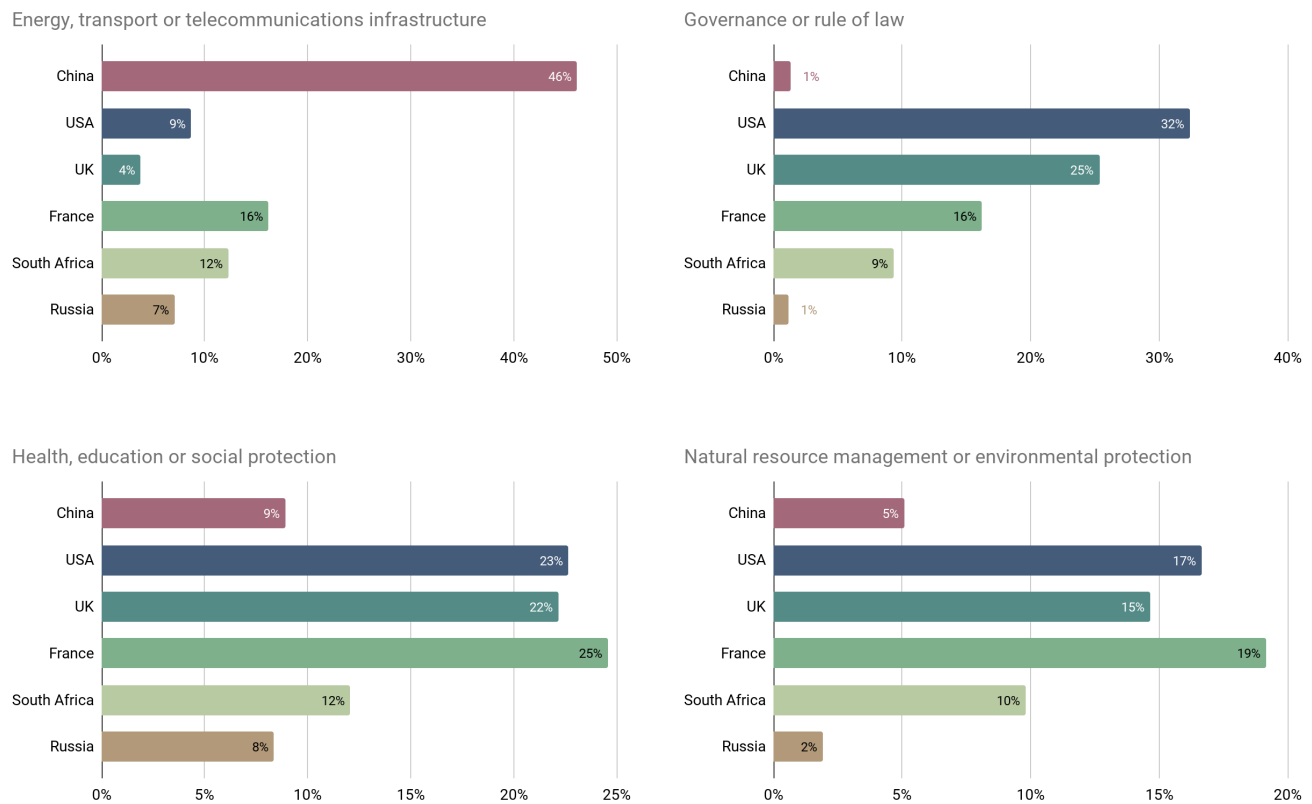
This revealed preference for working with Beijing on infrastructure and the U.S. on issues of governance and rule of law is consistent across the African continent. That said, past colonial, language, and cultural ties may matter more in shaping preferences for working with some of the other development partners by subregion. The U.K. was rated alongside the U.S. as a preferred partner in the governance sector in Eastern and Southern Africa, as was France in Western and Middle Africa. Some of this could be a reflection of the fact that African countries may have retained legal systems (i.e., civil law versus common law) and official languages (i.e., English, French) from their relations with colonial powers that some partners will have an easier time navigating than others.

Although the PRC does not devote a large share of its financing (in dollars) to the social sectors, such as education and health, it does support a great number of smaller projects in this sector, often financed by aid (grants or concessional loans). Despite this, fewer than 10 percent of African leaders selected Beijing as a preferred development partner in the health, education or social protection sector. There is some variation by geography on this measure: only 4 percent of respondents from Northern Africa chose the PRC as their preferred partner in these sectors, while 17 percent of respondents from Southern Africa did so. This low visibility for Beijing in areas outside of infrastructure is consistent with the 2020 *Listening to Leaders Survey*, which found the PRC to be less influential in the environment and social sectors (Custer et al., 2021).

These findings are consistent with the caricatures of how development partners are portrayed in the news and public discourse: the PRC as the infrastructure financier and Western democracies as more commonly concerned with the ‘software’ of development, in areas such as governance, education, and more. Yet, these perceptions are also somewhat dissonant with how the PRC and Western democracies are attempting to reposition themselves for influence and impact on the African continent in future. The U.S. and the G7 economies are trying to recast themselves as being in the

infrastructure business, launching initiatives such as the Partnership for Global Infrastructure and Investment (PGII) which pledged to mobilize US\$600 billion in new investments by 2027. By contrast, the PRC's new Global Development Initiative (GDI), launched by President Xi in 2021, sought to portray Beijing as a global leader in sectors such as climate change, health, and governance.

**Figure 23.** African leaders' preferred development partner by sector, August 2022



*Note:* This visual shows the percentage of respondents that identified a given power as their preferred development partner in a given sector. Respondents could only select one of six partners in each sector.  
Source: AidData 2022 BRI Perceptions Survey.

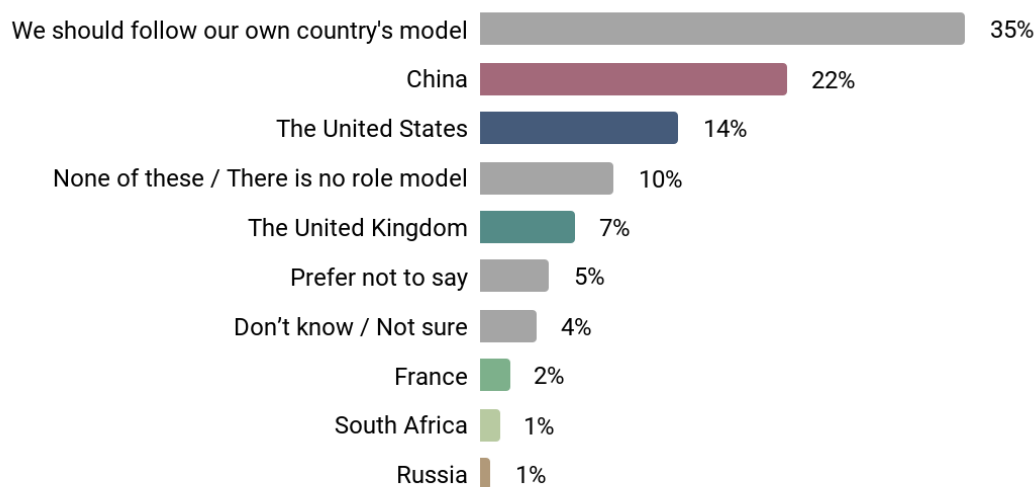
**Finding #9.** African leaders generally prefer their own development models, but among those who look abroad for inspiration, Beijing comes out ahead of Washington, particularly in Eastern Africa

Roughly one-third of African leaders (35 percent) said that their country should pursue its own development model, rather than following in another country's footsteps (Figure

24). This underscores the danger of promoting a pre-conceived, one-size-fits-all model of development. Among respondents who did look abroad for inspiration, they most frequently turned to the PRC (22 percent) or the U.S. (14 percent) as the development model to which they thought their country should aspire.

Notably, most of the difference here appears to be driven by respondents from Eastern African countries.<sup>42</sup> However, this appreciation for the PRC's development model is more broadly held, as Custer et al. (2018, 2019) found in their interviews with over 200 public, private, and civil society leaders across nine countries in the Asia-Pacific. They found there was widespread admiration for Beijing's credibility as a development success story, as a country that had "made the leap" from a recipient of aid to a lender in its own right (Ibid).

**Figure 24.** African leaders' preferred development model, August 2022



**Note:** This visual shows the percentage of respondents that identified a given power as having the best development model to which their country could emulate. Respondents could only select one of six foreign powers or their own model; this visual drops "don't know/prefer not to say" responses. Source: AidData 2022 BRI Perceptions Survey.

<sup>42</sup> The countries included in Eastern Africa are Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Somalia, Tanzania, Uganda, Zambia, and Zimbabwe. We also include Puntland, Somaliland, and Zamzibar in this region.

### 3.3 African leader perceptions of PRC official finance projects and the BRI in 2022

African leaders have certainly taken note of the dramatic increase in PRC financing for overseas development over the past decade. Over three-quarters of respondents to the *BRI Perceptions Survey* reported that Beijing had financed more projects in their countries over the past decade (over 80 percent) and that the average dollar value of these investments had also increased (79 percent). Although financing was top-of-mind when African leaders described how the PRC provided support to their countries, the majority also noted an uptick in technical assistance, as well as in supplying Chinese laborers, suppliers and firms in the implementation of projects.

In this section, we take a closer look at how respondents to the *BRI Perceptions Survey* felt about: (1) the benefits and drawbacks of partnering with the PRC; (2) the economic, environmental, and governance impacts of PRC official finance projects; (3) the degree to which the PRC's mask and vaccine diplomacy in the era of COVID-19 shifted perceptions; and (4) impressions of Beijing's signature Belt and Road Initiative.

**Finding #10.** African leaders view the PRC as offering fewer conditions, closer alignment with their priorities, and better financial terms than other partners, but at the cost of less local capacity and transparency

African leaders see various benefits of working with Beijing versus other development partners, including bilateral or multilateral organizations (Figure 25). Access to financing with fewer conditions (48 percent), closer alignment with national development priorities (43 percent), and more favorable financial terms (39 percent) were the three most frequently selected benefits identified by respondents. Yet, African leaders also recognize several drawbacks of partnering with the PRC on development projects (Figure 26), most prominently that Beijing places less emphasis on building capacity for local partners to sustain projects in the long-term (37 percent) and discourages transparency in reporting on project finances, terms or progress (34 percent).<sup>43</sup>

In several respects, African leaders' impressions of the trade-offs in partnering with the PRC on development projects are highly consistent with the unique features of how

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<sup>43</sup> Consistent with this view, greater transparency was the least-mentioned benefit of partnering with the PRC, cited by only four percent of respondents.



Beijing structures assistance, which is quite distinct from that of many traditional development partners. The PRC frequently sources project ideas directly from senior leaders, seldom requires a social and environmental safeguards review, and emphasizes its non-interference in the governance of other countries—hence why respondents may see Beijing as more aligned with their priorities and having fewer conditions attached.

Yet, as a financier of development, the PRC is opaque, including confidentiality clauses that preclude borrowers from disclosing the terms of assistance (Gelpern et al., 2021). It practices circular lending (Horn et al., 2019), tying access to PRC financing to the use of Chinese firms, suppliers, and labor for implementation. As a case in point: one estimate put the share of Chinese state-owned enterprises implementing BRI projects at 89 percent (Hurley et al., 2018). While this strategy is one of the ways in which Beijing can take bigger risks in investing at scale in economies with a higher risk of defaults, it is generally unpopular with leaders concerned about jobs for local populations and the desire to increase domestic capacity.

There was one area in which the perceptions of leaders appears to be more dissonant with how the PRC's development projects are structured in practice: 39 percent of African leaders said that Beijing provides access to capital on more favorable *financial* terms. The PRC often bundles together different financial instruments when negotiating an assistance package with its partner countries and, as discussed in Chapter 2, by far the greater share of this financing is in the form of debt (i.e., export credits and loans at competitive market rates) rather than aid in a traditional sense (i.e., grants and low- or no-interest loans).

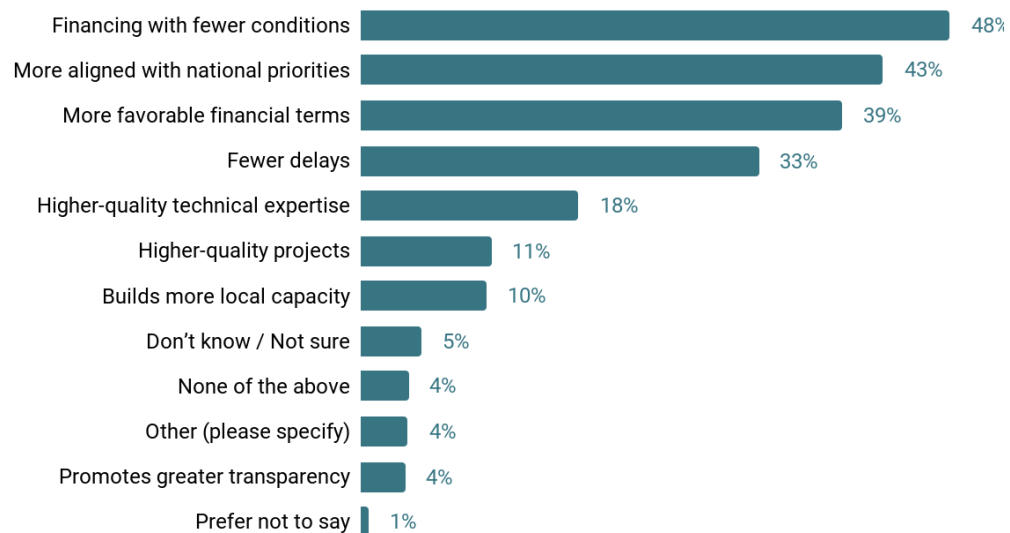
In addition to being less generous than traditional donors in its financing terms, the PRC also seeks precedence over other lenders, which constrains borrowing countries in managing fiscal crises or renegotiating debts in the event of a default.<sup>44</sup> This apparent disconnect—between leader perceptions of Beijing as providing favorable financial terms and its actual practices—may be a result of a few different factors. One could be a lack of visibility on the lending terms of projects. As previously stated, the PRC's lending is often a “state secret,” highly guarded and seldom disclosed, either at home

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<sup>44</sup> For example, Gelpern et al. (2021) in their review of 100 contracts between Chinese state-owned entities and government borrowers in 24 developing countries found frequent use of lender-controlled revenue accounts and “no Paris Club” clauses which include assurances that debt owed to Beijing would be excluded from collective restructuring. Cancellation, acceleration, and stabilization clauses throughout the contracts also provide potential entry points to allow the lenders to influence debtors' domestic and foreign policies.

or within borrowing countries, such that the circle of individuals who know the full extent of the financing terms are few and far between. It could also be that leaders take into account additional sweeteners that may come with development financing, such as promises of increased revenues from being made an approved tourism destination<sup>45</sup> or via access to China as an export market. Alternatively, respondents may have compared the PRC's offering to commercial options available.

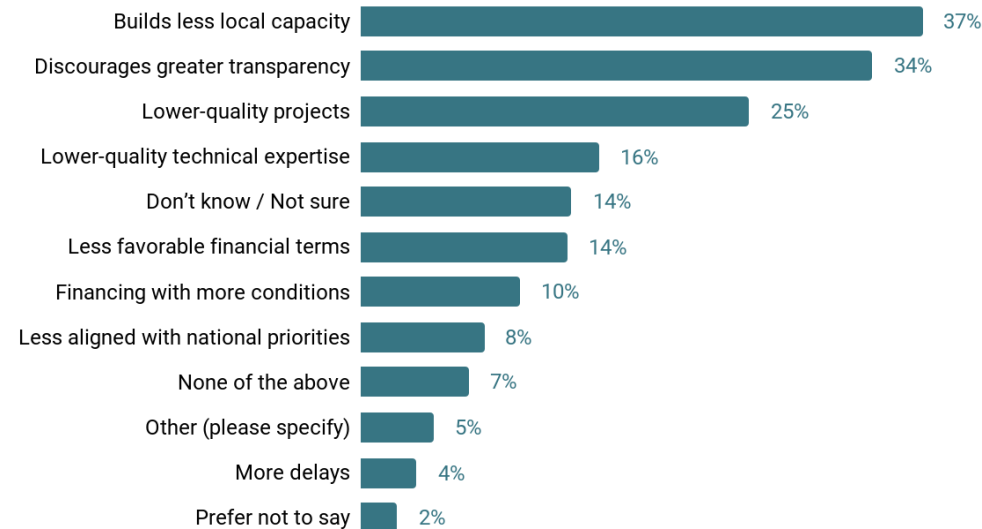
**Figure 25.** African leaders' views on benefits of partnering with the PRC, August 2022



**Note:** This visual shows the percentage of respondents that selected each potential benefit of working with the PRC versus other partners on development projects. Respondents could select up to three choices that they deemed most important from a list of options. Source: AidData 2022 BRI Perceptions Survey.

<sup>45</sup> As described by Arita et al. (2012), the PRC has a powerful foreign policy lever at its disposal through the use of "Approved Destination Status (ADS)," which specifies countries that have been pre-approved to receive group package tours for Chinese tourists. This potentially lucrative status for recipient countries must be pre-negotiated via agreements with the PRC.

**Figure 26.** African leaders' views on drawbacks of partnering with the PRC, August 2022



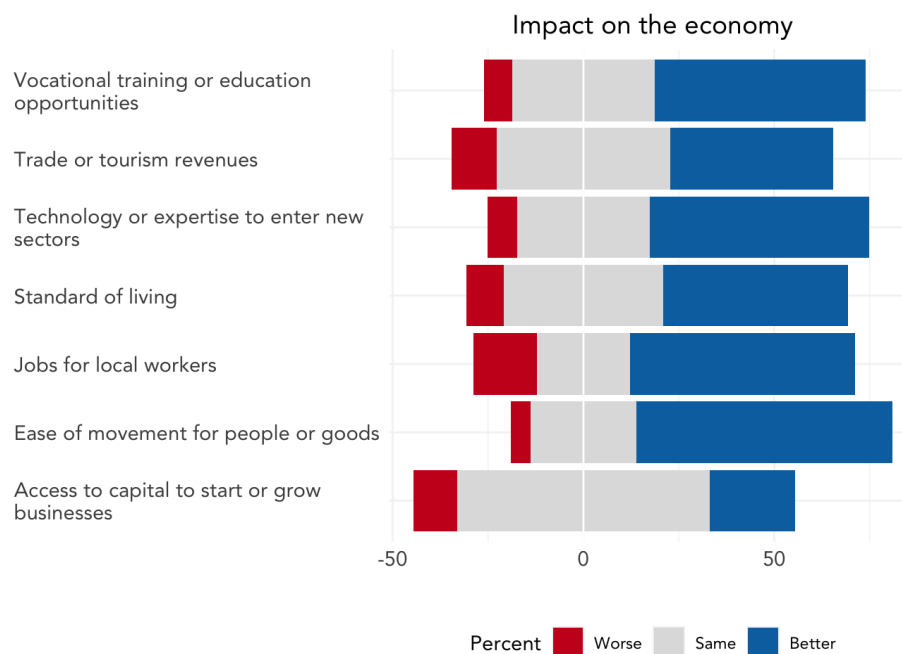
*Note:* This visual shows the percentage of respondents that selected each potential drawback of working with the PRC versus other partners on development projects. Respondents could select up to three choices that they deemed most important from a list of options. Source: AidData 2022 BRI Perceptions Survey.

**Finding #11.** African leaders see trade-offs in PRC-financed development, citing positive economic returns and better services, but negative environmental outcomes and mixed results in governance

When African leaders think about the contribution of PRC-financed development projects to their countries, they see the most unambiguous benefits in economic terms. If Beijing’s aspiration was that the BRI should promote greater connectivity across member countries, as President Xi stated in his initial speeches (Chapter 1), then African leaders might say it is delivering on this promise: 67 percent of respondents reported that PRC-financed projects had made it easier for people in their countries to travel and for goods to transit with fewer restrictions (Figure 27). This rosy outlook extended to other areas, with generally favorable views on the PRC’s projects contributing to improved vocational training and education opportunities, trade and tourism revenues, transfer of technology or expertise to enter into new sectors, as well as overall living standards.

Although the majority of respondents were still neutral or positive, there were more concerns about jobs for local workers, as 17 percent of respondents indicated that conditions had worsened on this measure due to the PRC's development projects. The greatest source of ambiguity for leaders was whether the PRC's projects had improved local access to capital to start or grow businesses—most respondents reported no change for better or worse (66 percent), with just over one-fifth citing improvement. These two points of discontent may relate to leaders' concerns about the PRC's limited emphasis on building local capacity as a drawback of partnership with Beijing.

**Figure 27.** African leader views on economic impacts of PRC official finance projects in their countries, August 2022



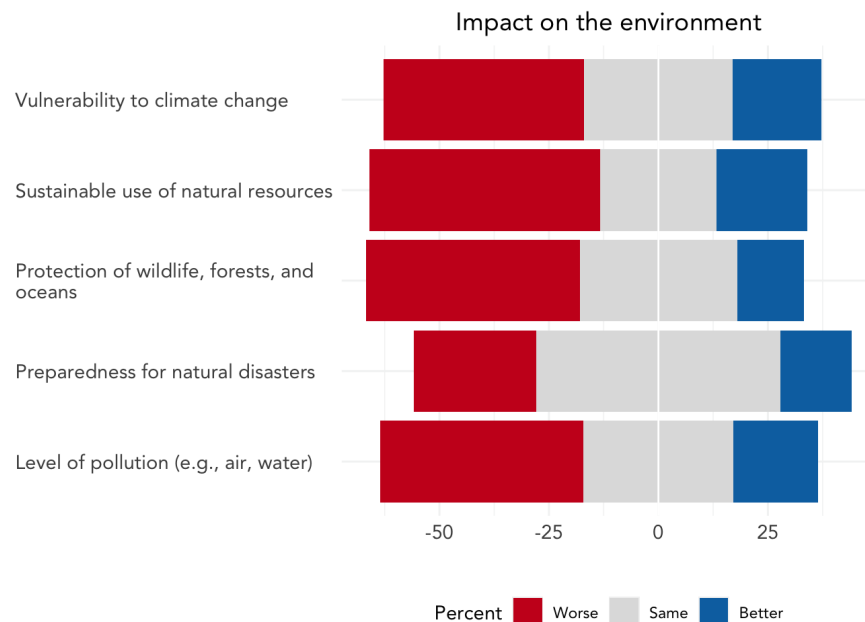
*Note:* This visual shows the percentage of respondents who said that PRC official finance projects had made a given economic condition in their countries better, worse, or about the same. Respondents could select their response using a five-point scale. In the figure above, this was simplified by collapsing “much worse” and “somewhat worse” into “worse” and collapsing “much better” and “somewhat better” into “better.” Respondents could also select “don’t know / prefer not to say,” but those responses were dropped from this figure. Source: AidData 2022 BRI Perceptions Survey.

African leaders were most pessimistic about the environmental impacts of PRC-financed development projects on their countries (Figure 28). Roughly half of respondents reported negative environmental spillover effects of these projects, which they saw as

detrimental to the sustainable use of natural resources (53 percent) and protection of wildlife, forests, and oceans (49 percent). African leaders also saw projects bankrolled by Beijing as increasing their country's vulnerability to climate change (46 percent) and not having much of an impact when it came to preparedness for natural disasters.

What are the implications of this feedback for Beijing? On the one hand, environmental issues were not originally a primary focus of the BRI, so a lack of progress here is not that surprising. On the other hand, the negative environmental impacts of PRC-financed projects do pose a problem for Beijing's broader aspirations. The PRC has a long-standing interest in being a leader in green technologies. President Xi proposed the formation of a green development coalition under the BRI, which was launched in 2019 (Hou, 2019). Relatedly, President Xi's 2021 announcement of the new Global Development Initiative (GDI) proposes climate change and green development as a key area for cooperation (Center for International Knowledge on Development, 2022). Yet, in the eyes of African leaders at least, Beijing has some ground to regain in ensuring its vast portfolio of official finance projects lives up to its environment-friendly rhetoric.

**Figure 28.** African leaders' views on environmental impacts of PRC official finance projects in their countries, August 2022



*Note:* This visual shows the percentage of respondents who said that PRC official finance projects had made a given environmental condition in their countries better, worse, or about the same. Respondents could

*select their response using a five-point scale. In the figure above this was further simplified by collapsing “much worse” and “somewhat worse” into “worse” and collapsing “much better” and “somewhat better” into “better.” Respondents could also select “don’t know / prefer not to say,” but those responses were dropped from this figure. Source: AidData 2022 BRI Perceptions Survey.*

African leaders had the most mixed feelings on the governance impacts of PRC-financed development in their countries (Figure 29). Most often respondents reported no change for better or for worse in various facets of their country’s governance—from media freedom and social unrest, to civic participation, crime, and access to justice. But there were two rather large exceptions to this rule, corruption and public services, that may succinctly represent the trade-offs that African countries feel they face when it comes to partnering with Beijing on development projects.

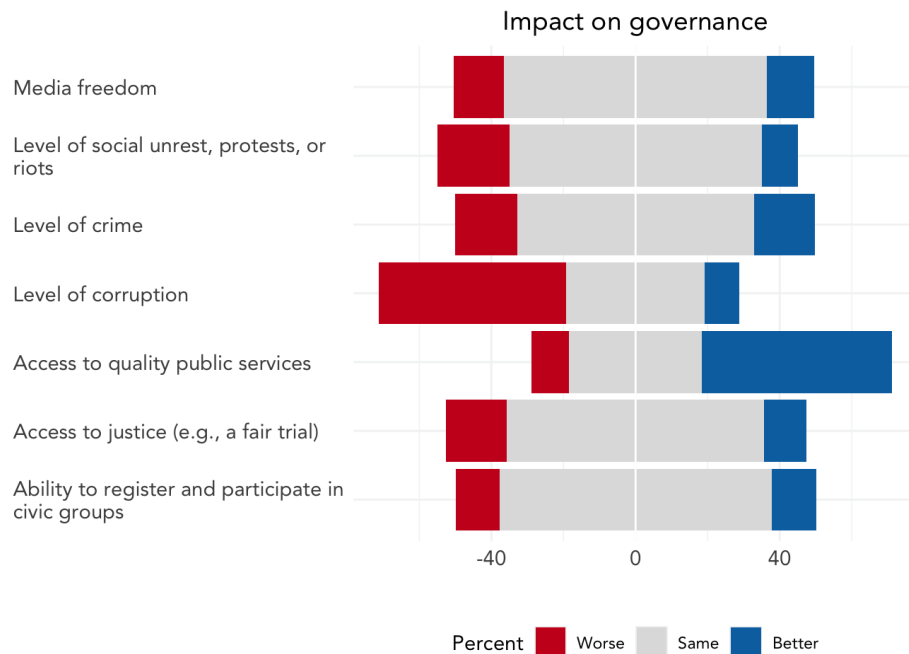
A bright spot was that over half of African leaders surveyed (53 percent) said that PRC-financed development had improved access to public services in their country. However, a similar percentage said that corruption had worsened with the PRC’s engagement. To a certain degree, these two perceptions reflect a broader tension inherent in the way in which Beijing structures and delivers its development assistance.

The PRC has an unparalleled ability to channel funds and break ground, with minimal red tape on new projects that helps leaders deliver quickly on promises to taxpayers and constituents. The resulting improved access to public services is one such example that is often top-of-mind for the average citizen. However, the emphasis on speed of delivery, when paired with the limited transparency of its lending and procurement processes, creates perverse incentives for officials and implementers to collude to artificially inflate costs and pocket the illicit proceeds—the very definition of corruption.

Unfortunately, pervasive corruption is not merely a perception problem, as it tracks with a systematic assessment of projects by Malik et al. (2021) that found 35 percent of the BRI’s infrastructure portfolio had encountered implementation problems such as “corruption scandals, labor violations, environmental hazards, and public protests.” This does not appear to be the PRC’s intent, as President Xi has a long track record of not only making public pronouncements about tackling corruption at home, but also following through with wide-sweeping (albeit controversial) anti-corruption reforms (Xu, 2021; White, 2022). In fact, Xi has recently become even more vocal about the need to tackle corruption within BRI projects, increasingly recognizing that if left unchecked,

corruption has the potential to exacerbate political risk and “credit instability” (Ma, 2021).

**Figure 29.** African leaders’ views on governance impacts of PRC official finance projects in their countries, August 2022



**Note:** This visual shows the percentage of respondents who said that PRC official finance projects had made a given governance condition in their countries better, worse, or about the same. Respondents could select their response using a five-point scale. In the figure above this was further simplified by collapsing “much worse” and “somewhat worse” into “worse” and collapsing “much better” and “somewhat better” into “better.” Respondents could also select “don’t know / prefer not to say,” but those responses were dropped from this figure. Source: AidData 2022 BRI Perceptions Survey.

### **Finding #12.** The majority of African leaders view Beijing more positively in light of its contribution to COVID-19 response in their countries

One of the most consequential shocks to the international system in recent years was the arrival of the COVID-19 pandemic. Although the pandemic has had far-reaching effects on countries of all income levels, it has been particularly problematic for low- and middle-income countries due to the combination of weaker health systems, constrained domestic resources, and disruptions to traditional revenue streams, such as

remittances from overseas workers and international tourist revenues. For many bilateral development agencies, there was a scramble to balance marshaling an effective domestic response to navigate the pandemic within their own countries, as well as providing substantive support to partners in the Global South.

Initially, the PRC experienced a global backlash amid accusations that its leadership had been slow to share news of the coronavirus outbreak that began within its borders. However, Beijing quickly adapted, taking a proactive stance in sending well-publicized medical teams and supplies, coined “mask diplomacy,” and then later pivoting to “vaccine diplomacy” in promoting its own Sinovac vaccine (Müller et al., 2022). Although it had multiple reasons to respond in this way, at least one of Beijing’s objectives was to “offset reputational damage from the Covid-19 pandemic and to change the international conversation about the PRC and Covid-19” (ibid).

Public opinion, at least as chronicled in the news media, appeared to indicate that Beijing had been able to turn its initial difficulties into a strategic communications win—as leaders and citizens in many countries proclaimed their appreciation for the PRC’s generosity in their time of need. However, Beijing’s unpopular zero-COVID policies stoked unrest at home and invited criticism from abroad. Of course, low- and middle-income countries have also pointed to the West’s failure to adequately support the COVID-19 pandemic response, particularly with respect to vaccine delivery (Lemoine & Gaafar, 2022).

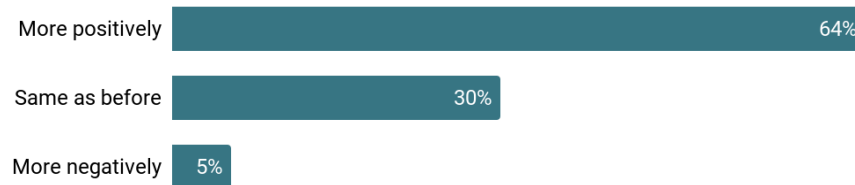
With this backdrop in mind, we asked African leaders whether and how their views of the PRC as a development partner had changed in light of its support of the COVID-19 response in their countries (Figure 30). Approximately two-thirds (64 percent) of respondents said they had a more positive view of the PRC now than previously because of how Beijing assisted their country in navigating COVID-19 response and recovery. Only 6 percent of African leaders surveyed said they viewed the PRC more negatively than before, with the remaining saying their views had not changed.

Consistent with media narratives, when asked for specifics about how the PRC had supported their country, donations of personal protective equipment (i.e., masks, face shields), as well as vaccines were top-of-mind for roughly 60 percent of respondents.



This was followed by donation of other medical supplies or equipment for hospitals and clinics cited by nearly 50 percent of respondents.

**Figure 30.** Change in African leaders' views of the PRC since COVID-19, August 2022



*Note:* This visual shows leaders' responses to a question about how their attitudes towards the PRC had changed since COVID-19. It shows the percentage of respondents that said they viewed the PRC more positively, more negatively, or the same as before. Source: AidData 2022 BRI Perceptions Survey.

**Finding #13.** African leaders are ambivalent to the BRI as a membership bloc and are uncertain of its purpose, but recognize the connectivity focus of BRI projects

Africa is at the center stage of most discussions about BRI. The continent is home to a large share of BRI countries (Chapter 1) and is among the top recipients of PRC official finance (Chapter 2). Moreover, as we have seen in this chapter, African leaders are enthusiastic about working with Beijing on infrastructure projects and view the PRC's projects as helping deliver on the BRI's signature theme of improved connectivity in their countries, citing greater ease of movement for people and transit of goods. Yet, how much is the BRI on the radar of the average African leader, whether as a membership bloc or as a 'brand' to increase recognition of Beijing's contribution to their country's development? We posed this question in several different ways in our 2022 *BRI Perceptions Survey*, with some surprising results.

First, we assessed general knowledge, asking respondents whether their country was a BRI member or not, as well as how many BRI projects were in their country. Nearly two-thirds of respondents (61 percent) said they did not know if their country was a BRI member, and of those remaining, one-third answered incorrectly (Figure 31). Roughly three-quarters of respondents (73 percent) were unsure of how many BRI projects were in their countries.

We also asked African leaders what they saw as the purpose of the BRI: thirty-five percent of respondents said they did not know or were not sure (Figure 32). The second most popular response, selected by 34 percent of the leaders surveyed, was that the BRI was a vision statement for how the Chinese government saw itself partnering with other countries on economic and development issues. Other characterizations of the BRI were less frequently cited by respondents: a global cooperation mechanism for countries to work together (9 percent), an advertising or marketing campaign to promote Chinese-financed development projects (5 percent), or an initiative to resolve Beijing's domestic economic woes of excess industrial capacity or foreign currency reserves (5 percent).

Third, we asked African leaders questions about the types of projects that the PRC generally supported in their countries, as well as to select projects that were most reflective of the BRI from a list of illustrative examples. Respondents associate the BRI most frequently with transportation infrastructure, such as building roads, railways, and ports (80 percent). However, 60 percent pointed to the PRC's role in providing equipment or buildings for government agencies, while roughly half of respondents cited PRC support in energy, industry or mining (e.g., power plants, gas pipelines), as well as facilitating people-to-people exchange, technical assistance or training.

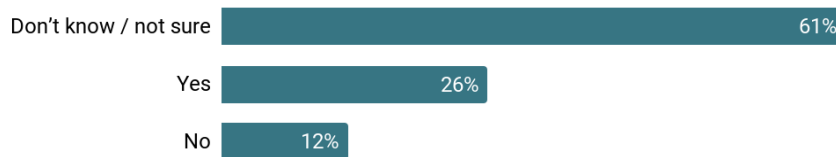
There was a fairly high degree of consistency between what leaders saw as the PRC's major areas of activity in their country with the projects they felt were most BRI-like. Even though Xi's vision of the BRI is more than steel and concrete, in the eyes of African leaders infrastructure is still top-of-mind as the quintessential example of what the initiative offers, with 60 percent selecting building road, rail, or other transport as an example of a BRI-like project. Leaders also acknowledged projects designed to facilitate other forms of connectivity (albeit to a lesser degree), such as the roughly 30 percent of respondents who gravitated to examples such as improving telecommunications infrastructure, establishing special economic zones, building industrial parks, and providing scholarships for students or professionals to study abroad in China.

Finally, we asked African leaders whether and how they would contrast BRI to non-BRI projects, in terms of how the PRC's assistance was structured. In some ways, their responses tracked with our expectations. Respondents said that BRI projects are more likely to require use of Chinese laborers, suppliers or firms (60 percent), involve larger

financing amounts on average (64 percent), and are less likely to include local partners (36 percent). This is consistent with objective measures that estimate that the vast majority of BRI projects are in fact implemented by Chinese state-owned enterprises (Hurley et al., 2018) and our earlier finding that BRI-themed projects tended to receive larger dollar amounts on average. Yet, in other ways, the perceptions of African leaders diverged from expectations. Roughly half of respondents felt that the generosity of repayment terms (49 percent) as well as access to technical assistance and advice (55 percent) was better for BRI projects than other types.

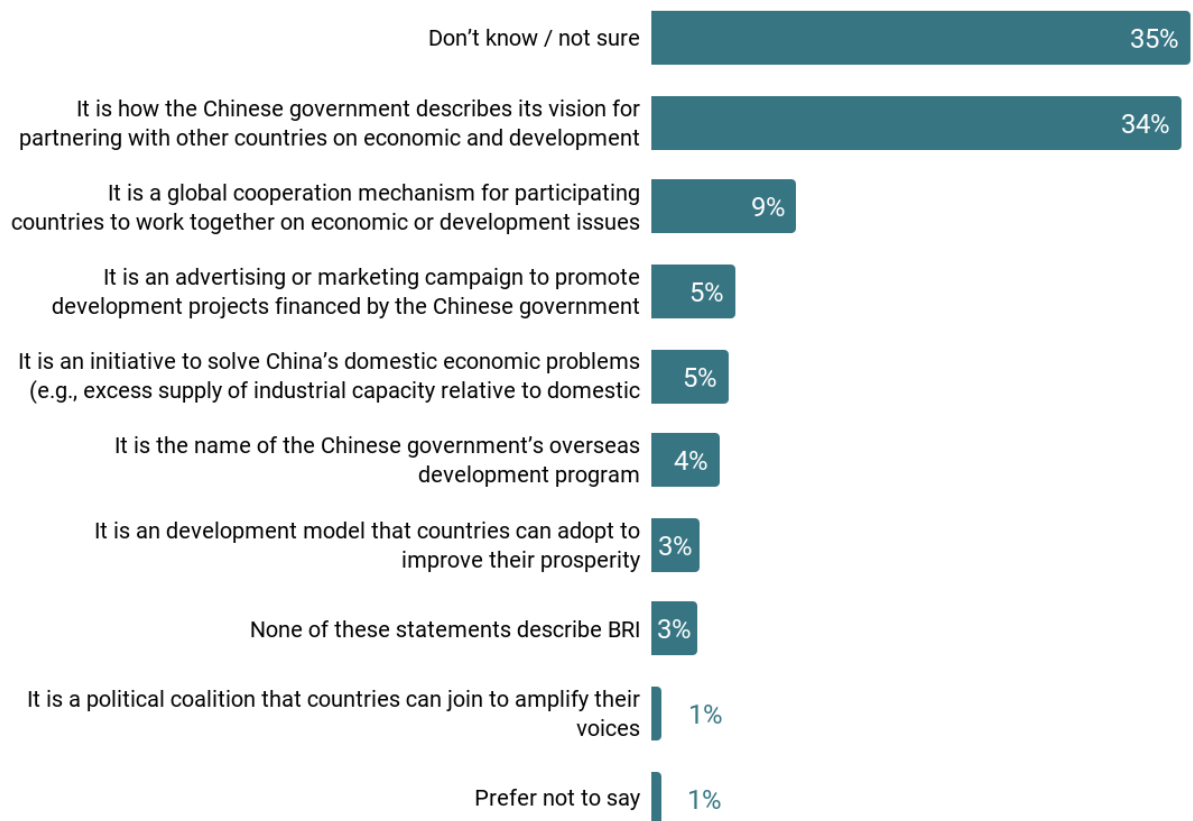
Taken together, it appears that the BRI is a fuzzy concept for Beijing’s partner countries in Africa. There is a fair degree of ambiguity for African leaders about whether their country is participating, the number of projects involved, and what the purpose of the initiative is, beyond a general vision statement articulating the PRC’s approach to partnering with other countries on economic and development issues. Nevertheless, despite the conceptual fuzziness about the membership bloc, African leaders did recognize many of the substantive focus areas of the BRI, particularly those related to increased connectivity between countries—from physical infrastructure and telecommunications to special economic zones and people-to-people exchange.

**Figure 31.** African leaders on whether their country had joined the BRI, August 2022



*Note:* This visual shows the responses of leaders to a general knowledge question about whether their country was a BRI member or not. Source: AidData 2022 BRI Perceptions Survey.

**Figure 32.** African leaders on what best describes the intent of the BRI, August 2022



*Note:* This visual shows the responses of leaders to a question about what they saw as the purpose or intent of BRI. Source: AidData 2022 BRI Perceptions Survey.

### 3.4 Final thoughts

For every PRC-financed overseas development project, there are two sides to the equation—not only the perspective of the financier, but also that of their counterparts in the Global South. In this chapter, we took this demand-side perspective to heart, by leveraging three surveys to understand how citizens and leaders within borrowing countries perceive the PRC as a development partner, the trade-offs of PRC-financed development projects, and the significance of BRI to their relations with Beijing. We examined attitudes towards the PRC in absolute terms over time, as well as in relative terms compared with other major bilateral actors. In Chapter 4, we conclude with reflections on the implications of this study for understanding the future of Beijing's

financing for development, along with recommendations for Beijing and other development partners to position themselves in their respective areas of comparative advantage and best support their partners in the Global South.

## 4. Conclusion: What do Beijing's revealed priorities and the Global South's demand foreshadow about the future of assistance?

Beijing stands at a pivotal moment in its trajectory as a financier of global development. In 2023, the PRC will celebrate the tenth anniversary of the Belt and Road initiative, but before then, the Chinese Communist Party (CCP) will hold its 20th National Congress in October 2022. The Congress, held once every five years, does three things: articulates the party's policy agenda, revises the constitution, and selects the party's leadership (Jie, 2022). At the last Congress in 2017, the BRI was ascendant: President Xi argued that the PRC "should pursue the BRI as a priority" and a reference to the BRI was added to the constitution (Tiezzi, 2022). However, in 2022, the BRI's future appears less certain.

The BRI has been endorsed by a large group of participating countries, attracted accolades from the United Nations Secretary-General for aspiring to the same vision as the Sustainable Development Goals (UN, 2019), and was embraced by the PRC's bureaucracy as a flexible vehicle to achieve their vested interests (He, 2019; Ye, 2019). Yet, the BRI has also faced major headwinds in recent years: a global pandemic, economic slowdown, and negative publicity with a spate of borrowing countries in debt distress as they struggle to repay loans. President Xi's launch of the new Global Development Initiative in 2021 (China MoFA, 2021) raised more questions than answers about how the new initiative relates to the BRI.

Of course, Beijing's role as a financier of global development does not hinge on the fate of a single initiative, even one so closely connected to President Xi's personal brand. We have seen in this report that the PRC was bankrolling BRI-themed projects at scale well before the official launch of the membership bloc in 2013. Moreover, the arrival of the BRI did not usher in a radical change in the PRC's strategic direction in its revealed priorities for its overseas development finance: who it funded, what it funded, and with what terms. On the demand side, African leaders held the formal BRI loosely, uncertain about its purpose or even whether their countries were members. Nevertheless, they

also demonstrated familiarity with, and affinity for, the emphasis of the BRI on improved connectivity such as infrastructure, telecommunications, and people-to-people ties.

Taken together, the BRI may be best understood as a formalization and scaling up of a strategy that Beijing had been telegraphing for several years prior through how it spent its money and engaged with its partners. Similarly, one might also argue that PRC senior leader rhetoric and actions surrounding the 2019 BRI Summit and the 2021 virtual BRI Conference foreshadowed themes that would later appear in Xi's September 2021 speech introducing the Global Development Initiative: green development and climate-friendly growth,<sup>46</sup> fair distribution of pandemic control and vaccines,<sup>47</sup> the importance of multilateralism,<sup>48</sup> and international rule of law<sup>49</sup> (Tiezzi, 2021; Center for International Knowledge on Development, 2022).

This strategic insight is useful to make sense of what the future might hold for the PRC's next iteration as a global financier of development: a highly negotiated, incremental process of experimentation and adaptive learning by the PRC in response to criticism and opportunities offered by partner countries, strategic competitors, and its domestic constituencies. In this respect, the argument offered by Brînză (2022)—that Xi's unveiling of GDI does not spell the end of BRI but rather a natural "mutation" of the original BRI ideas to fit an updated narrative, present a more attractive face to partners, and overcome criticism—is compelling.

In addition to examining Beijing's supply of financing, the *Delivering the Belt and Road* report breaks new ground in analyzing three surveys of citizens and leaders that gauge attitudes towards the PRC in general, impressions of the PRC as a development partner relative to other bilateral actors, as well as experiences of Chinese state-financed overseas development projects and the BRI. These aggregated perspectives of leaders and citizens in the Global South, particularly Africa through the lens of our 2022 *BRI Perceptions Survey*, provide helpful 360-degree feedback for not only Beijing to consider as its development cooperation efforts evolve in future, but also for the broader field of development partners to explore complementary contributions.

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<sup>46</sup> For example, the 2021 BRI Conference included commitments related to the introduction of green financing and strengthening environmental risk assessments in PRC-financed projects to meet international standards, along with the launch of the "Initiative for Belt and Road Partnership on Green Development" (Tiezzi, 2021).

<sup>47</sup> For example, the 2021 BRI Conference included commitments related to promoting the fair international distribution of vaccines as a public good with the launch of the "Belt and Road Partnership on COVID-19 Vaccines Cooperation."

<sup>48</sup> For example, in March 2019, President Xi announced the formation of a "new Multilateral Cooperation Center for Development with eight multilateral and bilateral development institutions" that would build the capacity of borrowers and lenders to mitigate risks of debt sustainability and facilitate information sharing, among other issues (Parks, 2021).

<sup>49</sup> For example, in an April 2019 speech, Xi said that China would play by internationally accepted rules of procurement, tendering, and bidding for its BRI projects, as well as respect the laws and regulations of participating countries. (Parks, 2021).

The PRC should be mindful to not lose sight of its comparative advantage in facilitating connectivities—physical, digital, people-to-people—in the eyes of its partner countries. In this respect, Beijing should be wary of strategic overreach in attempting to rebrand itself as a global leader in promoting good governance and the rule of law, areas in which leaders have a clear affinity for Western democracies over the PRC as their preferred partners. Despite negative coverage within international media and in some geographies, the PRC should build upon the momentum of the positivity dividend it derived with leaders in the Global South from how it assisted with their COVID-19 response. In this respect, the emphasis on continued pandemic recovery, along with building resilience to the next pandemic, is a savvy move.

Beijing must proactively address key vulnerabilities in the way it delivers assistance, which not only creates negative spillovers for its partners but also increases the risks to the PRC. The fact that African leaders view less local capacity and lack of transparency to be drawbacks of working with Beijing is problematic, as is the finding that they see PRC-financed projects as worsening corruption and environmental degradation in their countries. Fortunately, there are opportunities to ameliorate these challenges that could be a win-win for both the PRC and its partner countries.

Rolling back the insistence on non-disclosure of the terms of assistance provides better accountability for partner country governments to not borrow beyond what they can repay, which in turn reduces the likelihood that they will default on what they owe to Beijing. Encouraging the use of open procurement processes for BRI projects, paired with transparent reporting on implementation, could be one of the best ways to tackle pervasive corruption that artificially inflates costs in ways that are detrimental for both partner countries and the PRC alike.

Sourcing labor, supplies, and implementing partners locally within countries could reduce supply-chain disruptions from overreliance on Chinese laborers and implementers. In addition, encouraging the twinning of Chinese and local companies on joint bids for BRI projects could go a long way to building local capacity, while still incorporating Beijing's domestic constituents at home. Finally, the PRC would do well to follow through on its commitments to integrate environmental risk assessments within its projects, as this could go far in quelling concerns that Chinese development projects require trade-offs between economic gains and environmental losses.

Western democracies, meanwhile, should avoid mimicking the PRC, attempting to present themselves as getting into the infrastructure financing game and offering a better alternative to BRI. In the eyes of African leaders, and likely leaders in other regions as well, Beijing is the preferred partner on infrastructure. It is seen as delivering well on its promise to bolster connectivity in various forms between BRI countries, and its comparative advantage is unlikely to be unseated any time soon.

However, there is an alternative path for Western democracies that not only would play to their strategic positioning in the eyes of the Global South, but also would make an important contribution to curbing negative environmental and governance spillover effects from PRC-financed development projects. African leaders see the U.S. as their preferred partner on governance and France and the U.K. on environmental issues, and there is good reason to believe that this extends to other regions as well. Moreover, developing countries would benefit from greater support from Western donors in these areas, as survey respondents expressed concerns that PRC-financed development projects worsened corruption and several aspects of the environment.

In a related report, leaders from 141 low- and middle-income countries identified corruption and poor financial management as two of the most intractable blockers to development progress (Custer et al., 2022). This presents an opportunity for Western democracies to invest their development finance dollars and technical expertise to be responsive to what leaders say they want: strengthening capacity for public financial management, reducing opportunities for corruption, and helping governments make responsible decisions about debt-financed development. In parallel, this may also offer the most effective route for Western democracies to curb negative spillover effects from PRC-financed development projects, in ways that play to their strengths and expertise.



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## About AidData

AidData is a research lab at William & Mary's Global Research Institute. We equip policymakers and practitioners with better evidence to improve how sustainable development investments are targeted, monitored, and evaluated. We use rigorous methods, cutting-edge tools and granular data to answer the question: who is doing what, where, for whom, and to what effect?

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