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Belt and Road Initiative

China's Belt and Road spending in Russia drops to zero

Beijing shifts investment focus to Saudi Arabia but continues to buy Russian oil and gas



Sri Lanka has become a symbol of the problems facing China's Belt and Road Initiative © Bloomberg

Edward White in Wellington 5 HOURS AGO

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China's new Belt and Road Initiative investments in Russia have fallen to zero for the first time, signalling Beijing's reluctance to incur sanctions in the wake of the Ukraine war.

In contrast with past multibillion-dollar pledges and contracts, Beijing **struck** no new deals with Russian entities under the Belt and Road programme in the first half of 2022, according to new data.

The findings were part of a report by the Green Finance & Development Center at Fudan University in Shanghai reviewed by the Financial Times. While slowing investments in Russia, China deepened its engagement with the Middle East, said the report.

Christoph Nedopil Wang, director of the Green Finance & Development Center, said the threat of western-led sanctions could have deterred China from investing in Russia.

But he said the fall may be “only temporary” and that there is “definitely strong engagement between Russia and China”. He added that Chinese purchases of Russian energy exports have increased despite the war.

Russia has been among the key **beneficiaries** of Chinese development spending through the Belt and Road programme, President Xi Jinping’s **hallmark** foreign policy, for years.
受益人 标志

Official lending commitments from China to Russia from 2000 to 2017 totalled \$125.4bn, according to AidData, an international research lab at the College of William & Mary in Virginia. That includes \$58bn from the China Development Bank and \$15bn from China Eximbank, China’s two big policy banks.

China still depends on Russian supplies for about 15 per cent of its oil and 8 per cent of its gas. New energy deals expanding these arrangements were struck in early February, **days before** Russian troops were ordered to invade.

Since the February invasion, Beijing has criticised international sanctions on Russia, although many of its companies are being careful **not to breach them**.
违反

The Fudan University data showed that Saudi Arabia has now become one of the biggest beneficiaries of the Belt and Road Initiative as China strengthens its ties with Middle Eastern states through massive energy and construction deals.

着墨
Beijing **inked** \$5.5bn of new deals in Saudi Arabia in the first half of the year — more than any other country — as Chinese outbound investments broadly plateaued. In 2021, Iraq was the **biggest BRI beneficiary** with \$10.5bn in new construction deals.

“It is significant and it is showing . . . a focus on resources deals,” said Nedopil Wang.

China's strengthening position in the Middle East comes after the US formally ended its combat mission in Iraq and pulled out of Afghanistan. US President Joe Biden travelled to Riyadh this month, promising to "not walk away and leave a vacuum to be filled by China, Russia, or Iran".

The Fudan University report reflected the changing role and smaller footprint of the BRI, once **touted** by Beijing as the "project of the century".
吹捧

In the first half of 2022, there was a total of \$28.4bn in Chinese investments and contractual co-operation across the 147 BRI countries, down from \$29.6bn in the same period a year ago.

加剧 The longer-term decline in BRI engagement comes as there is growing scrutiny on how the project loans **exacerbate** financial pressures on vulnerable governments. In the most recent example used by critics, Sri Lanka, a BRI beneficiary, defaulted on its sovereign debt in May.

While the researchers do not expect Chinese BRI engagement to return to past peaks, the data suggests focus is sharpening on deals to secure access to strategic resources, including minerals used in the clean technology supply chain as well as oil and gas across the Middle East, Africa and Latin America.

"The Belt and Road Initiative remains very relevant," Nedopil Wang said.

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