



Belt And Road Initiative : Complex Challenges Amid Geopolitical Disruptions

Tuesday, February 14 2023

Disclaimer

THIS COMMENTARY IS PUBLISHED BY FITCH SOLUTIONS COUNTRY RISK & INDUSTRY RESEARCH and is NOT a comment on Fitch Ratings' Credit Ratings. Any comments or data included in the report are solely derived from Fitch Solutions Country Risk & Industry Research and independent sources. Fitch Ratings analysts do not share data or information with Fitch Solutions Country Risk & Industry Research.

1

Belt And Road Initiative: Emerging Market Debt And Caution In Europe Pose Challenges

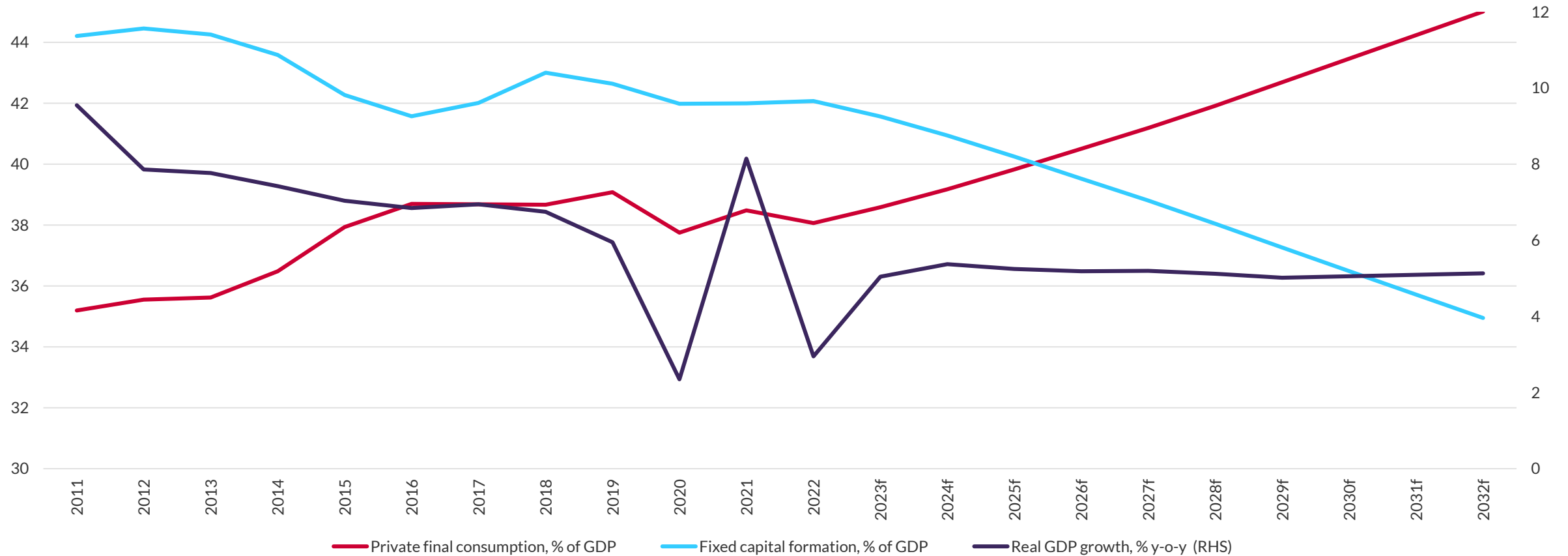
Tim Kerckhoff

Infrastructure Analyst

Policy Support And Domestic Pressures Support Belt And Road Initiative

Domestic Headwinds To Push Firms From Mainland China To Seek Opportunities Abroad

China (Mainland) - Real GDP Growth, % y-o-y And Fixed Capital Formation & Private Final Consumption, % of GDP

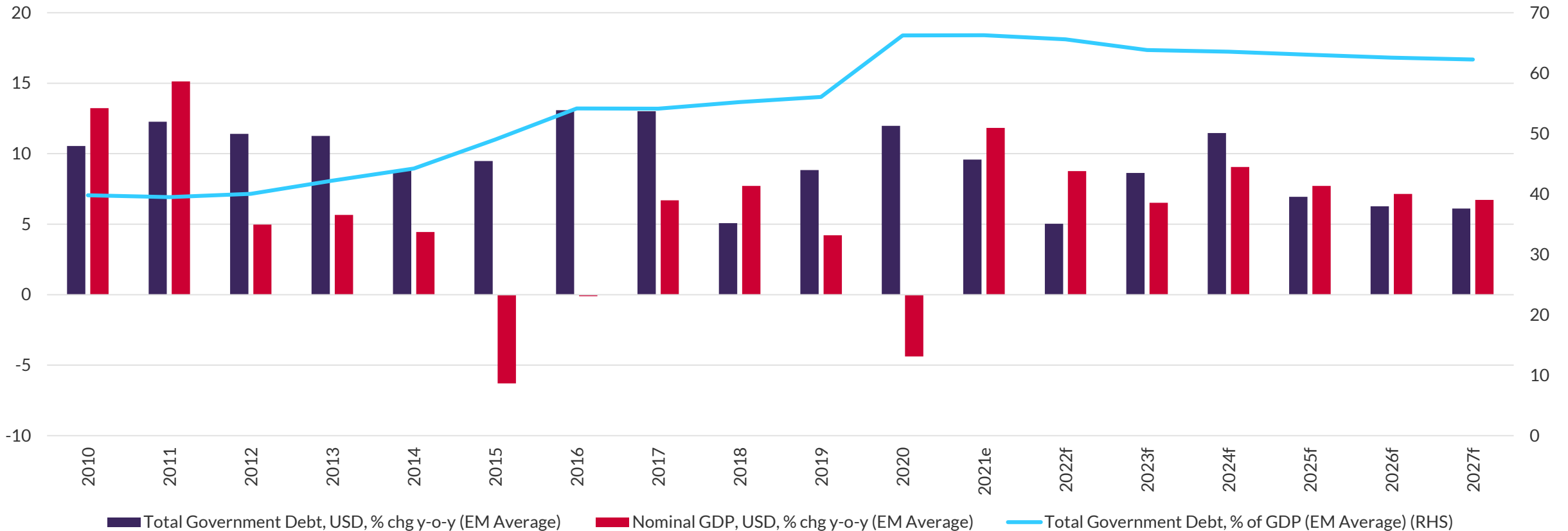


f = Fitch Solutions forecast. Source: National Bureau of Statistics of China, Fitch Solutions

Challenging Environment For Belt And Road Initiative

High Debt Load To Pose Headwinds For Emerging Market Lending And BRI Investment

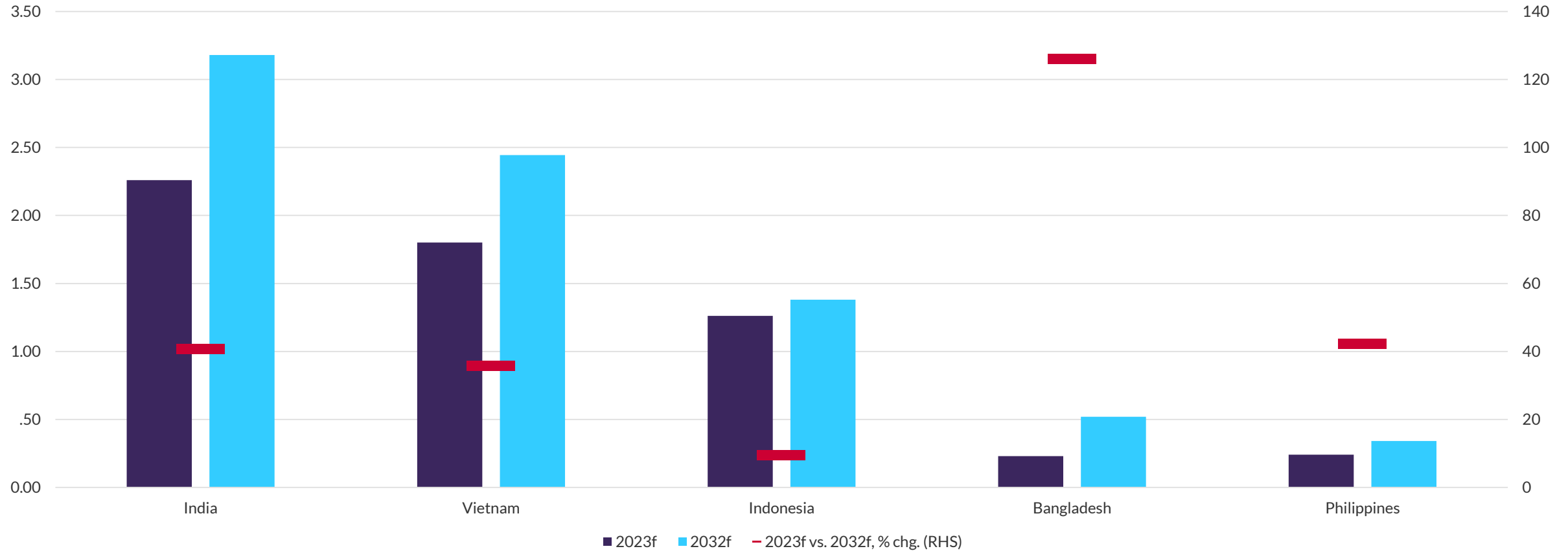
Emerging Markets - Total Government Debt & Nominal GDP



BRI = Belt and Road Initiative. e/f = Fitch Solutions estimate/forecast. Source: Local sources, UN, Fitch Solutions

Supply Chain Shifts To Improve Global Transport Links

Manufacturing Shift To Drive Transport Infrastructure Improvements Selected Markets - Goods Exports, USD, % of global



f = Fitch Solutions forecast. Source: Local sources, Fitch Solutions

2

Europe And Central Asia: Greater Focus On Middle Corridor

Anwita Basu

Head of Europe Country Risk

Belt And Road Initiative In Europe Complicates Matters For The EU

BRI Investment Concentrated In Eastern Europe

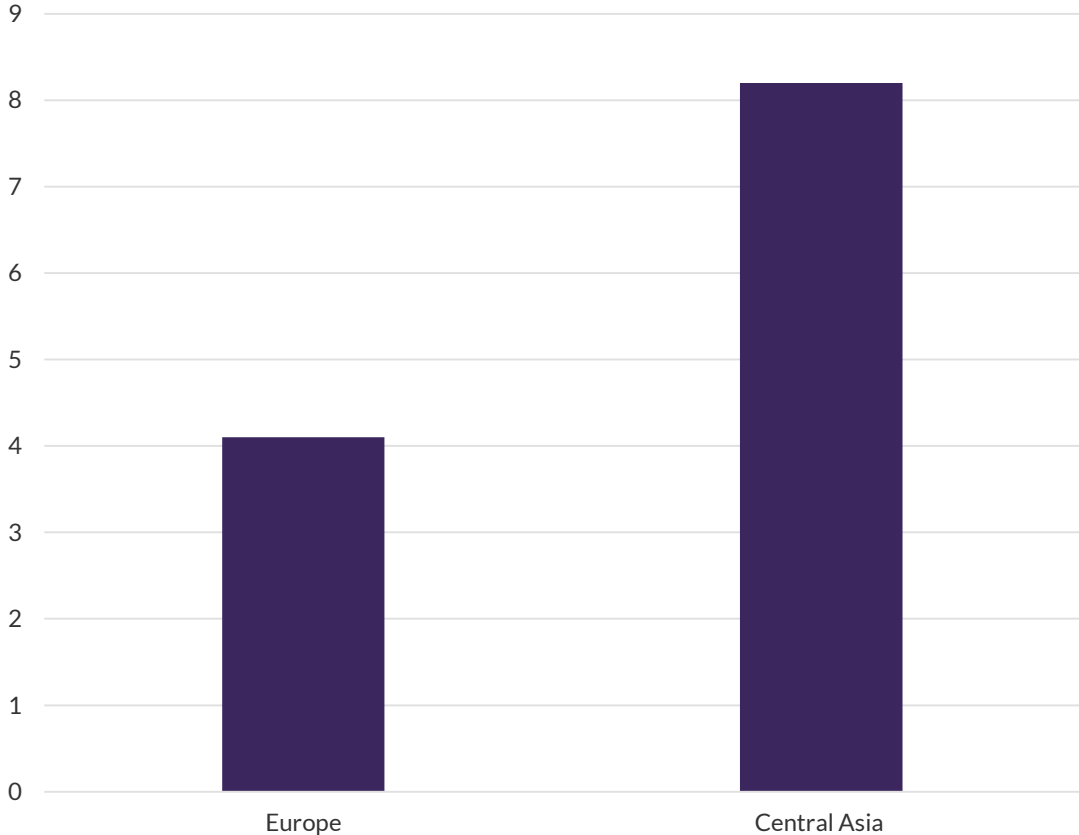
Europe – Markets That Have Signed Up For BRI



Note: A BRI memorandum of understanding does not imply hosting BRI projects. Source: Green BRI Center, Fitch Solutions. Template image : d-map.com

Europe Becoming Less Relevant

China (Mainland) – BRI Investment By Region, USDbn

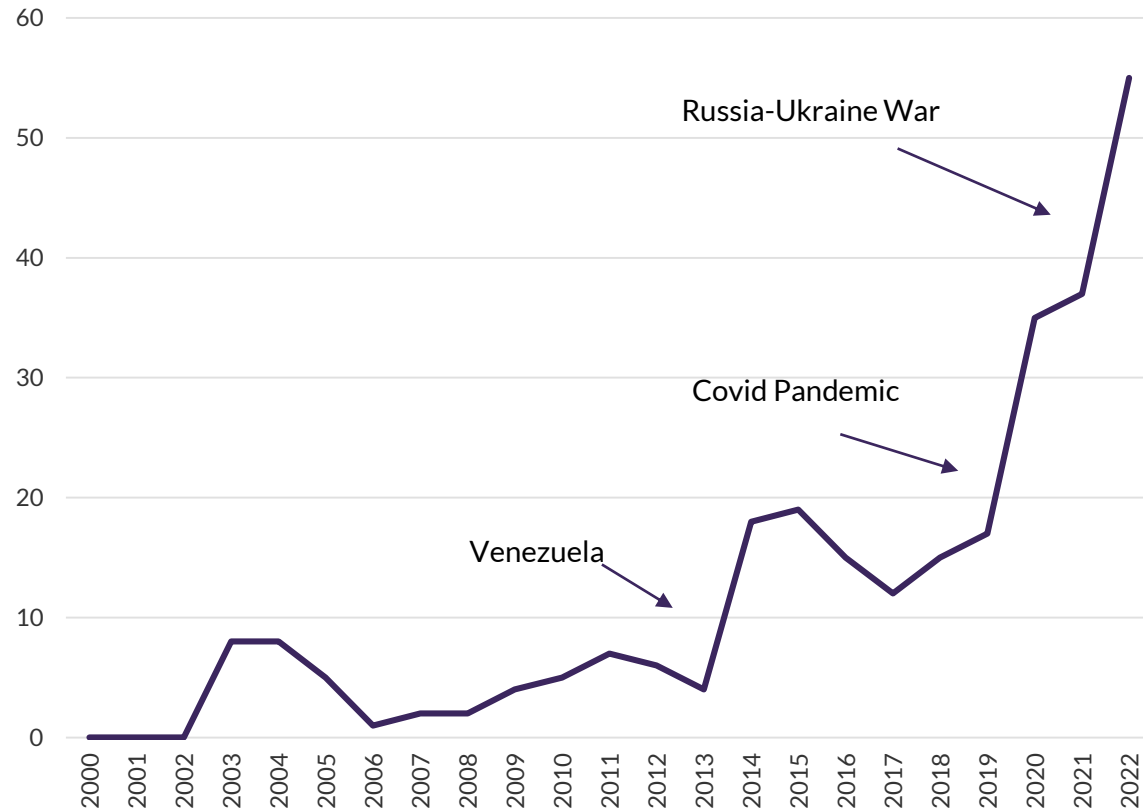


Source: Statista, Fitch Solutions

Central Asia Plays A Crucial Role In Connecting Mainland China To Europe

Rising Debt Stress Could Prove Problematic

China (Mainland) - Share Of Cumulative Chinese Loans In Distress, % of total overseas lending



Source: CEPR, Fitch Solutions

A Greater Focus On The Middle Corridor

Europe, Middle East & Africa- BRI Map



Source: Asian Pacific Center, d-maps.com, Fitch Solutions

3

Sub-Saharan Africa: Shift Away From Large-Scale Projects

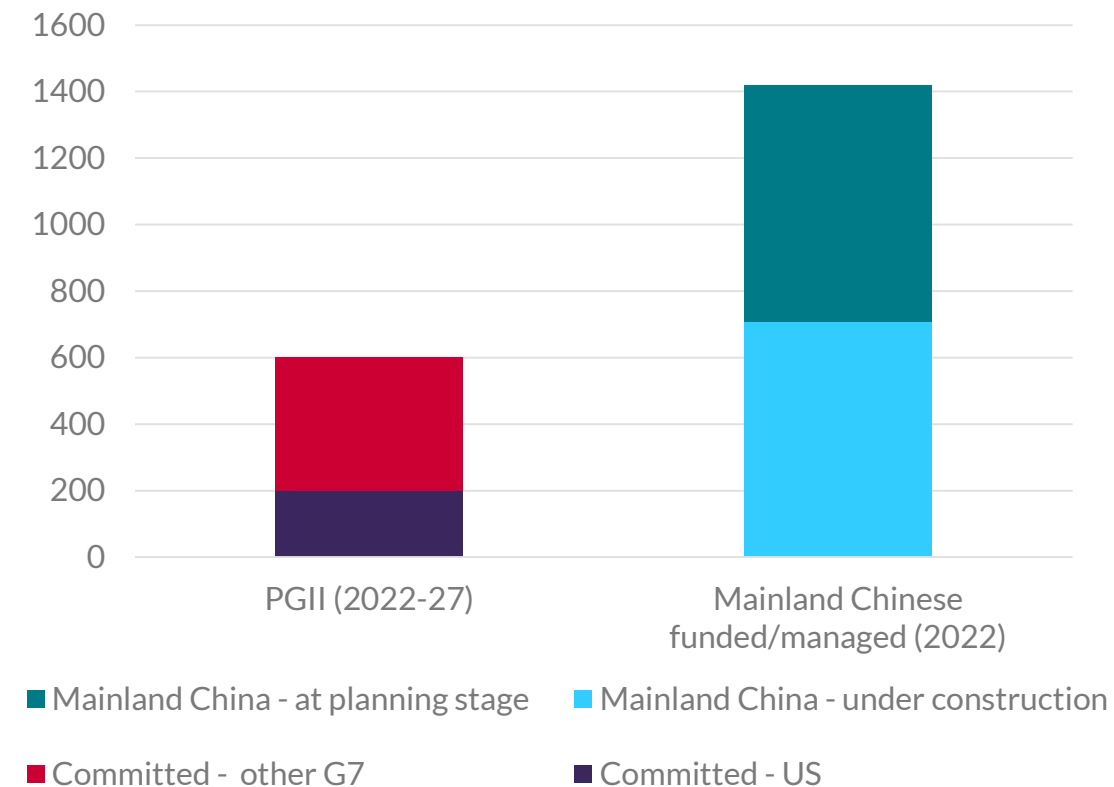
Lara Wolfe

Sub-Saharan Africa Country Risk Analyst

Mainland China's Investment In Sub-Saharan Africa To Remain Significant

Mainland Lenders To Remain Biggest Players In SSA

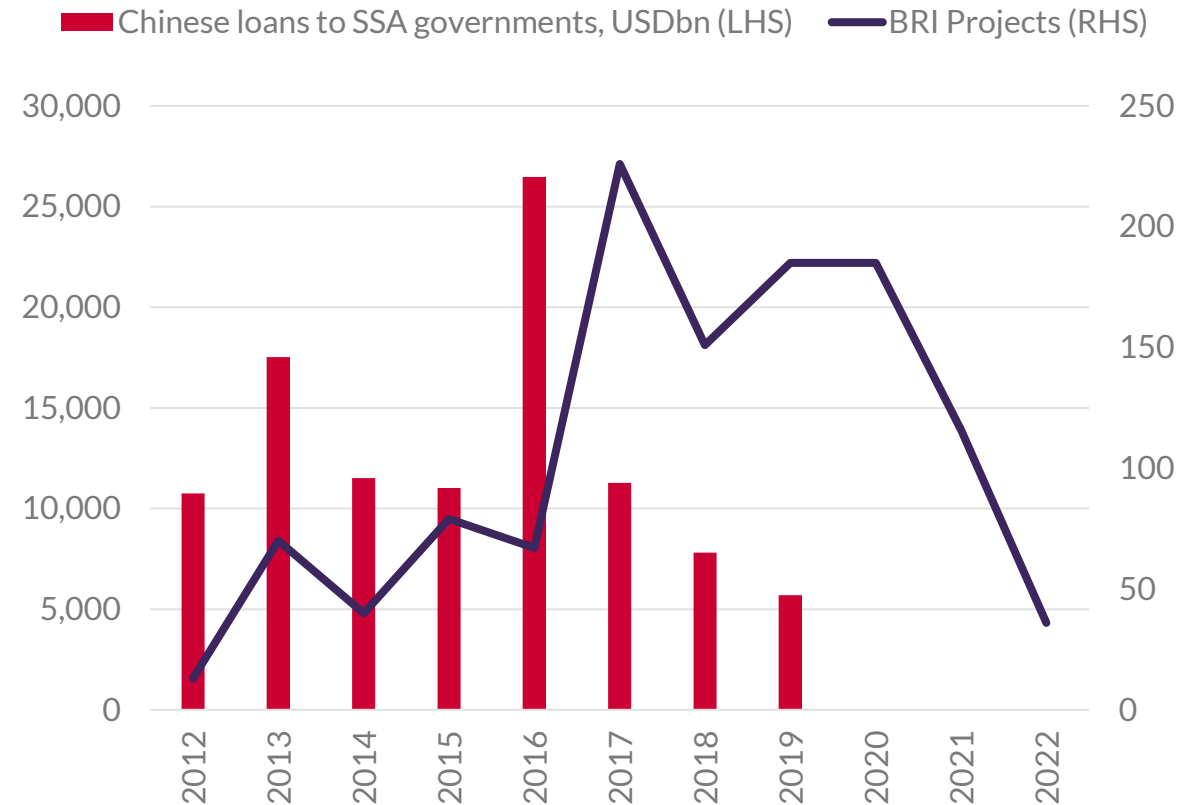
Global – PGII & BRI Funding Commitments, USDbn



PGII = Partnership for Global Infrastructure and Investment. Source: White House, Fitch Solutions Infrastructure Key Projects Data

BRI Investment From Mainland China To Continue To Moderate

Sub-Saharan Africa – BRI Projects



Note: Loan data reflects loan commitments and only goes up to 2019. 2022 = January-October. Source: China Africa Research Initiative, Boston University Global Development Policy Center, Fitch Solutions Infrastructure Key Projects Data

Beijing To Shift Focus To New Sectors

Mainland China To Support Uptick In SSA's Agricultural Output

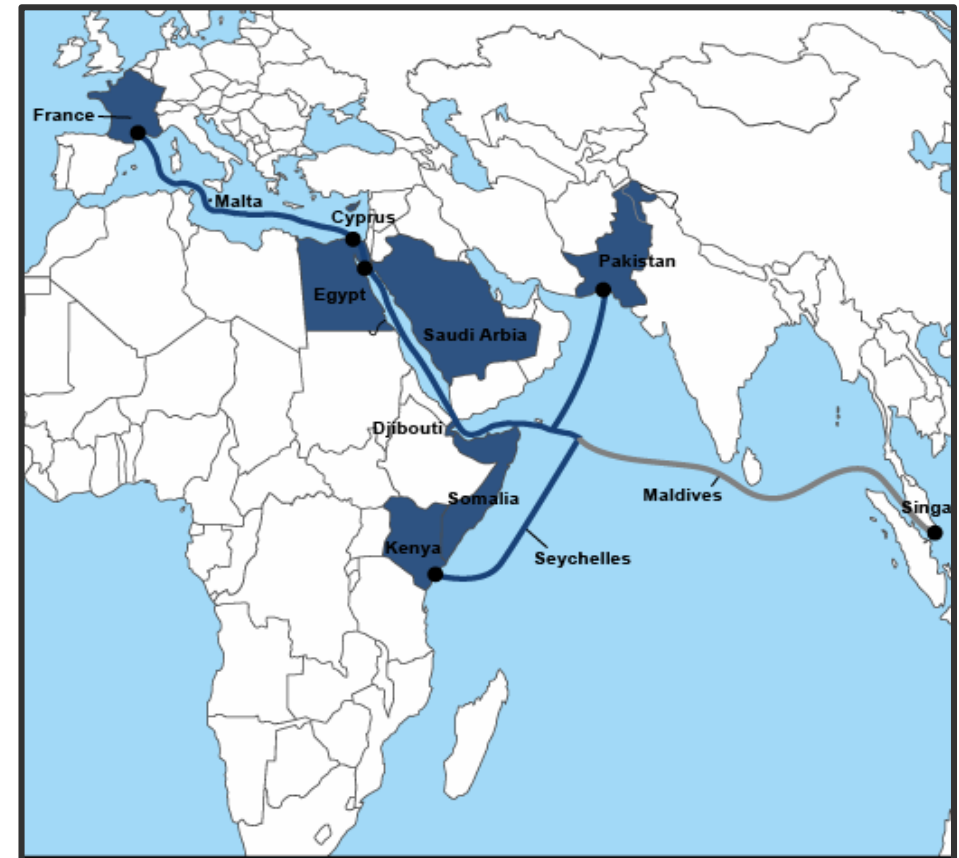
Africa – Markets Mentioned In Mainland China's 14th Five-Year Plan



Source: People's Republic of China Ministry of Agriculture and Rural Affairs, Fitch Solutions.

Mainland China's Influence Spreads Via Digital Infrastructure

PEACE Cable Landing Stations (Q123)



Note: Singapore extension still under construction. Source: PEACE, Fitch Solutions

4

Autos: Automakers From Mainland China Secure Battery Materials Along Belt And Road Initiative

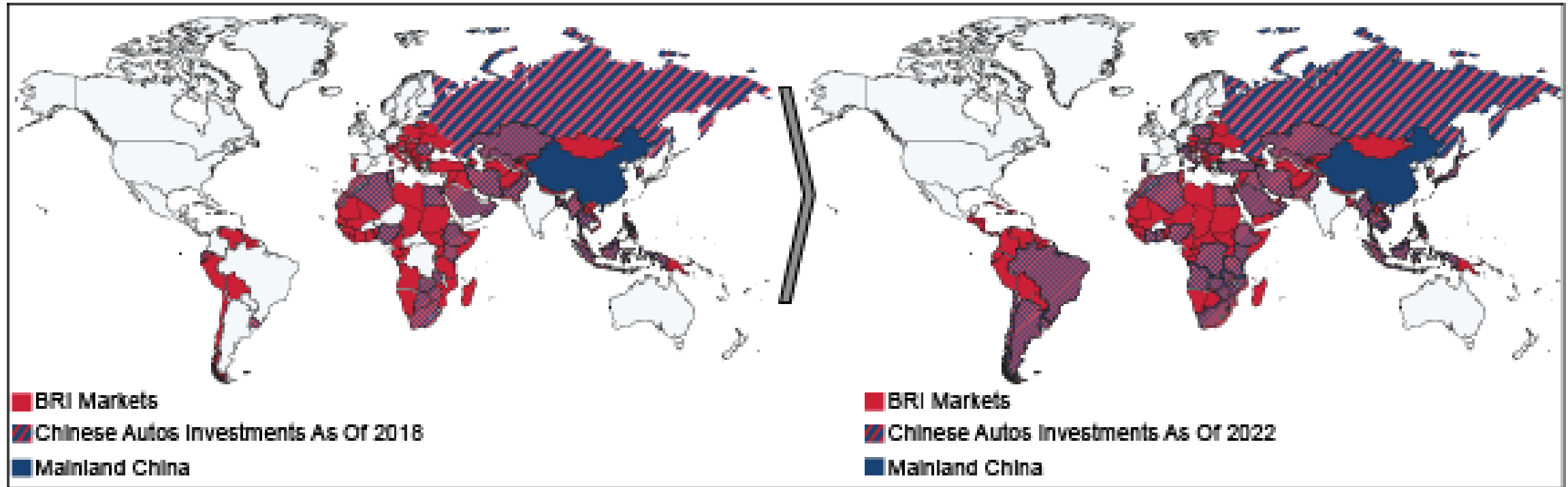
Joshua Cobb

Senior Autos Analyst

Belt And Road Initiative Spurs Growth Of Upstream Segment In EV Supply Chain

BRI Map, 2018

BRI Map, 2022



2018: Investment Dominated By Internal Combustion Engine (ICE) Manufacturing

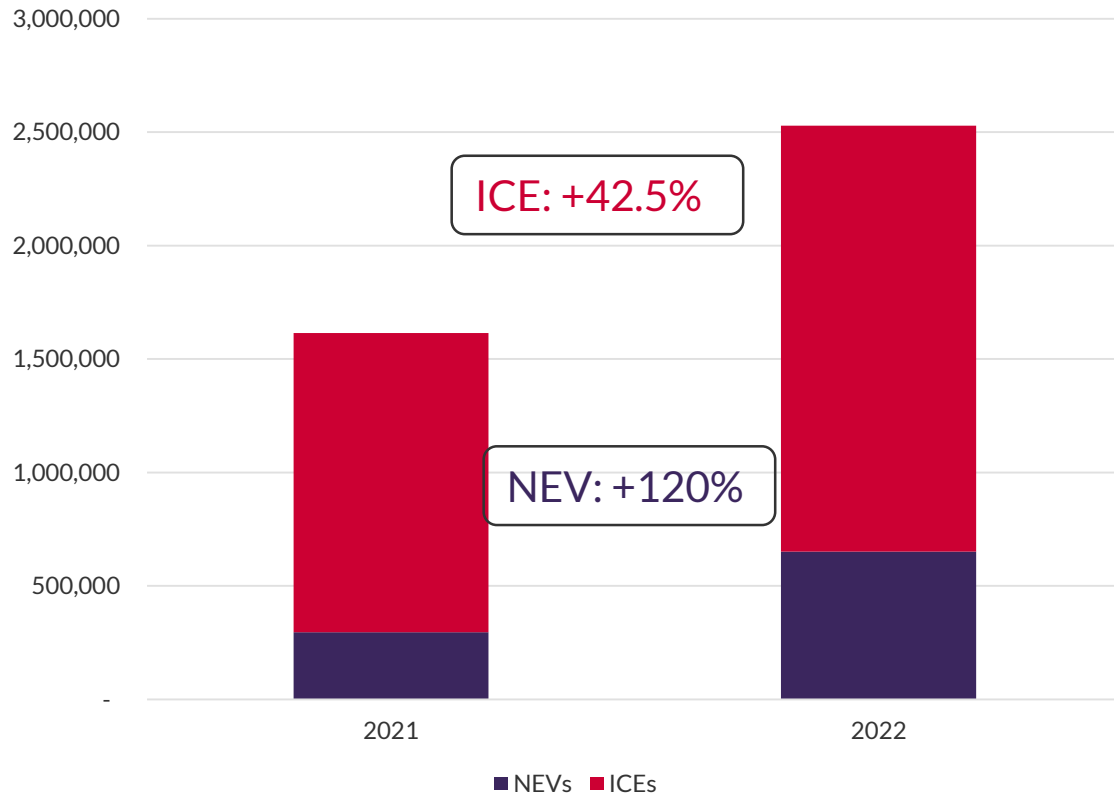
- Commercial vehicle segment
- ICE components

2022: Investment Shifting To Electric Vehicle (EV) Supply Chain

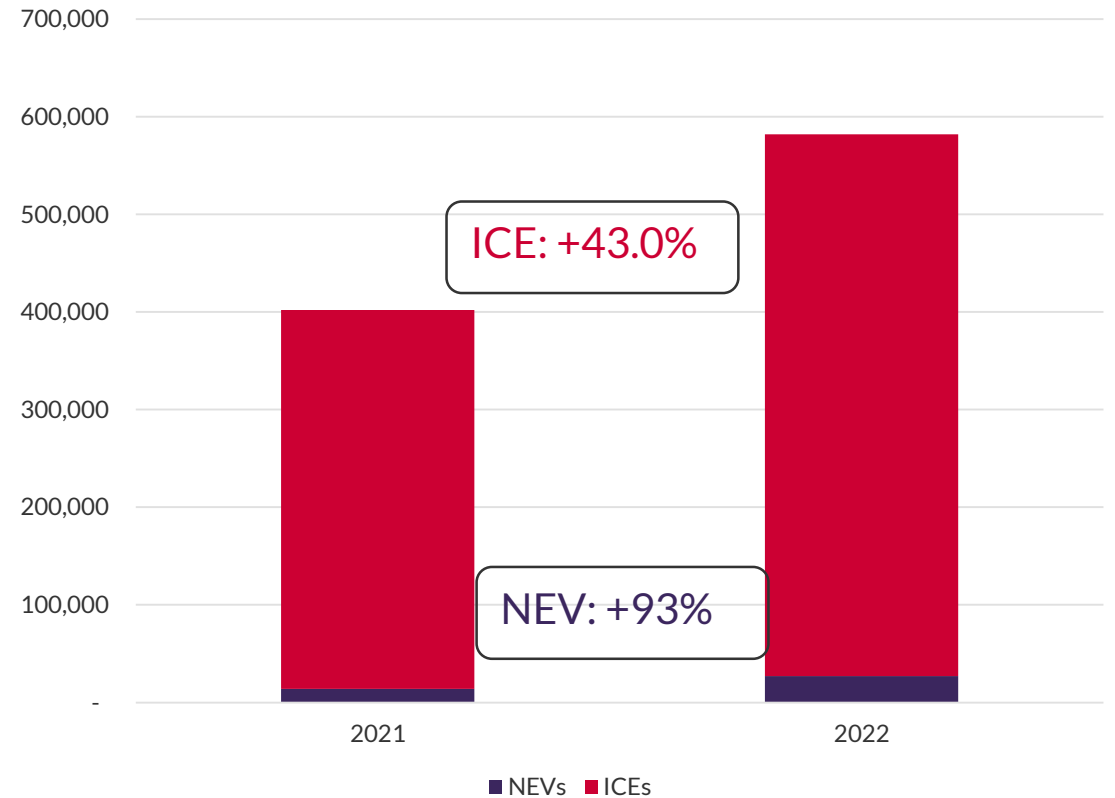
- Upstream EV commodities
- EV battery manufacturing (Europe and SEA)

Continued Focus On Completely Built Unit Exports

China (Mainland) - Passenger Vehicle Exports



China (Mainland) - Commercial Vehicle Exports



Note: NEV = neighborhood electric vehicle. NEV includes battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEV). Source: CAAM, Fitch Solutions

5

Pharmaceuticals And Healthcare: Health Silk Road In Focus

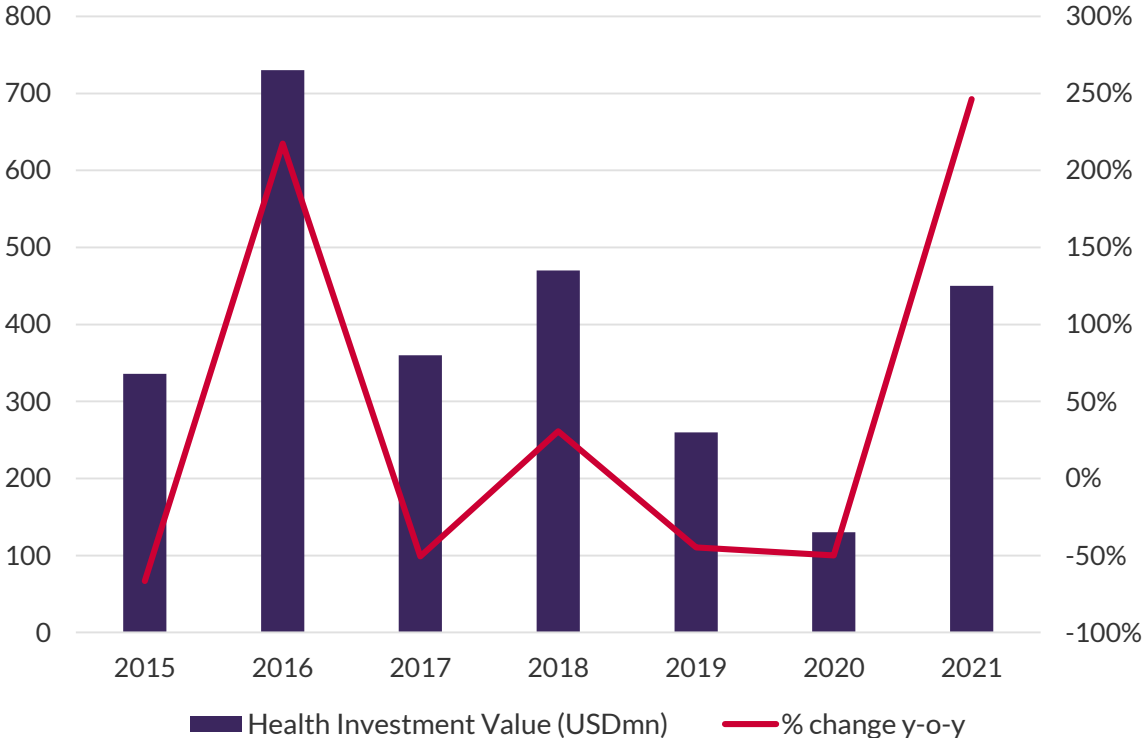
Sakshi Sikka

Senior Pharmaceuticals Analyst

Africa A High Priority Region For Mainland China's Health Cooperation

BRI Health Investment Spending Increasing Post-Covid-19

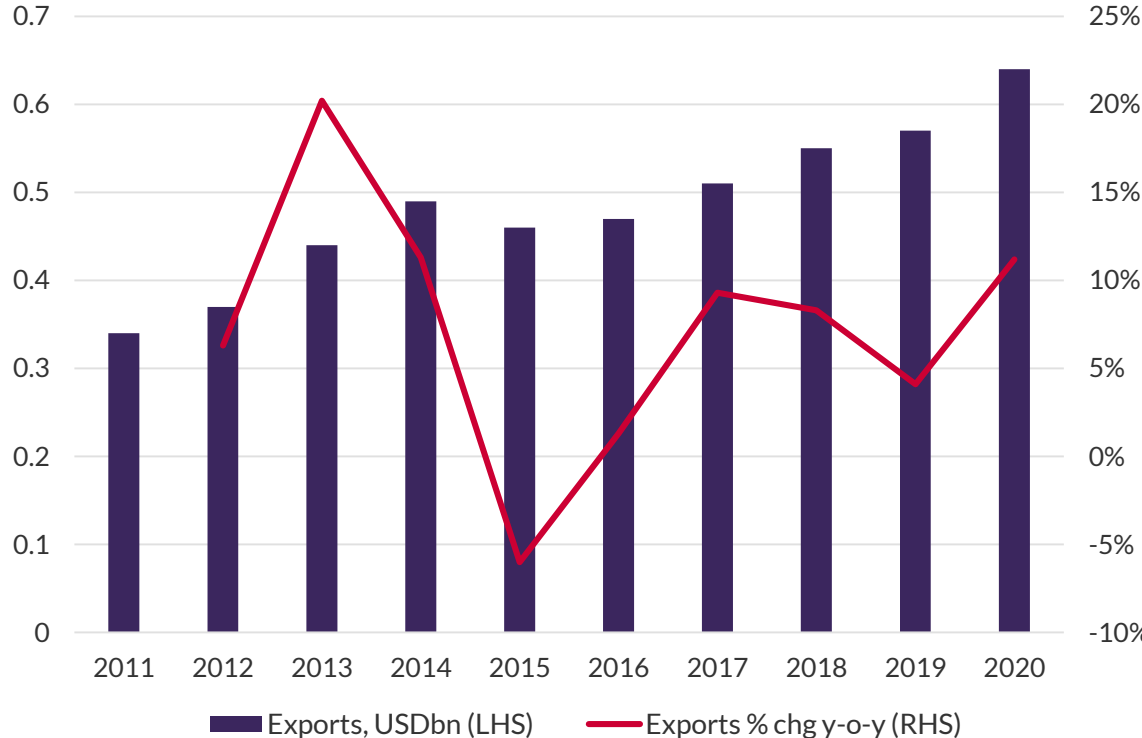
China (Mainland) - BRI Health Investment Value, USDmn & % chg y-o-y



Source: GreenFDC, Fitch Solutions

Medicine Exports From Mainland China To Africa Will Grow

China (Mainland) - Exports Of Finished Medicines To Africa, USDbn & % chg y-o-y



Source: Trade Map, ITC, Fitch Solutions

Mainland China Taking The Lead In Africa's Healthcare Development

Priorities In The Mainland China-Africa Health Cooperation

Forum on China-Africa Cooperation Dakar Action Plan (2022-2024)

Medical Assistance



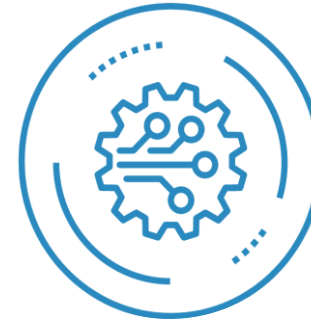
China will support African countries in building national public health institutions and will carry out information sharing and technical cooperation on public health. It will support Africa in comprehensively improving its health situation, strengthening its capacity for self-reliant development and building a more responsive public health system. China will send 1,500 medical personnel and public health experts to Africa.

Vaccine Supply



China commits to supplying vaccines to Africa through bilateral and multilateral channels over the next three years and support African countries to improve their vaccine production, storage and delivery capacities. China will provide 1bn doses of vaccines to Africa, including 600mn doses as donation and 400mn doses to be provided through joint production by Chinese companies and relevant African countries.

Medicine Production



China and Africa will increase cooperation on strengthening the capacities of local drug production including the development of the pharmaceutical manufacturing industry. China will help accelerate the establishment of the African Medicines Agency and support the African Medicines Regulation Harmonization program to improve the effectiveness of the medical products regulatory systems.

Health Infrastructure



China will complete the construction of the Africa CDC headquarters, undertake 10 medical and health assistance projects for African countries. China supports African hospitals in developing specialised departments, cultivating more health professionals, improving hospital facilities and carrying out all-round academic and technical exchanges in the areas of medical teaching and research.

Source: Fitch Solutions

Q&A





FitchSolutions



Country Risk & Industry Research

Make clear-sighted business decisions and understand the opportunities and risks in markets where reliable information is hard to find and even harder to interpret.

Find out more at fitchsolutions.com/crir

Learn More

Fitch Solutions helps clients to excel at managing their credit risk, gain deeper insights into the debt and fixed income markets, and get comprehensive intelligence about the macroeconomic environment.

Powered by Fitch Connect, our Country Risk & Industry Research expertise helps you make clear-sighted business decisions and understand the opportunities and risks across global markets.

To find out more, please contact your Account Manager or a member of our Client Services Team.

New York

T +1 212 908 0800

usaclientservices@fitchsolutions.com

London

T +44 (0)20 3530 2400

emeaclientservices@fitchsolutions.com

Hong Kong

T +852 2263 9999

asiaclient.services@fitchsolutions.com

Tokyo

T +81 3 6897 8986

asiaclient.services@fitchsolutions.com

Singapore

T +65 6796 7231

asiaclient.services@fitchsolutions.com



[fitchsolutions.com](https://www.fitchsolutions.com)

New York
33 Whitehall Street
New York, NY
10004

London
30 North Colonnade
Canary Wharf
London, E14 5GN