

Bruegel

Countries' perceptions of the BRI: A big data analysis

Alicia García-Herrero
Jianwei Xu
Robin Schindowski



Agenda

- 1 Intuition
- 2 Descriptive statistics
- 3 Empirical analysis
- 5 References

1. Intuition

1. Intuition

Fact Sheet BRI

“一帶一路”
yi dai yi lu

- First announced in **2013** by then newly inaugurated President Xi Jinping.
- Promises of **\$1 trillion** in investment until 2027.
- Setup of **dedicated institutions**: Asia Infrastructure Investment Bank (AIIB) and the Silk Road Fund.
- The BRI has produced **offspring**: The Digital Silk Road (DSR), the Green Silk Road (GSR), and a Health Silk Road (HSR).

1. Intuition

The BRI is at a crossroad

The BRI has faced many **headwinds** since the start of the pandemic:

Foreign

- Decreased lending activity since the China-US trade war.
- Unprofitable projects and debt distress abroad.

Domestic

- Domestic headwinds related to Covid.
- Real estate sector in debt distress.
- Consumer and business confidence has taken a hit.

➤ Did the pandemic mark the end of the BRI?

2. Descriptive statistics

2. Descriptive statistics

Research question

The Chinese government's vision of the BRI is a win-win but...

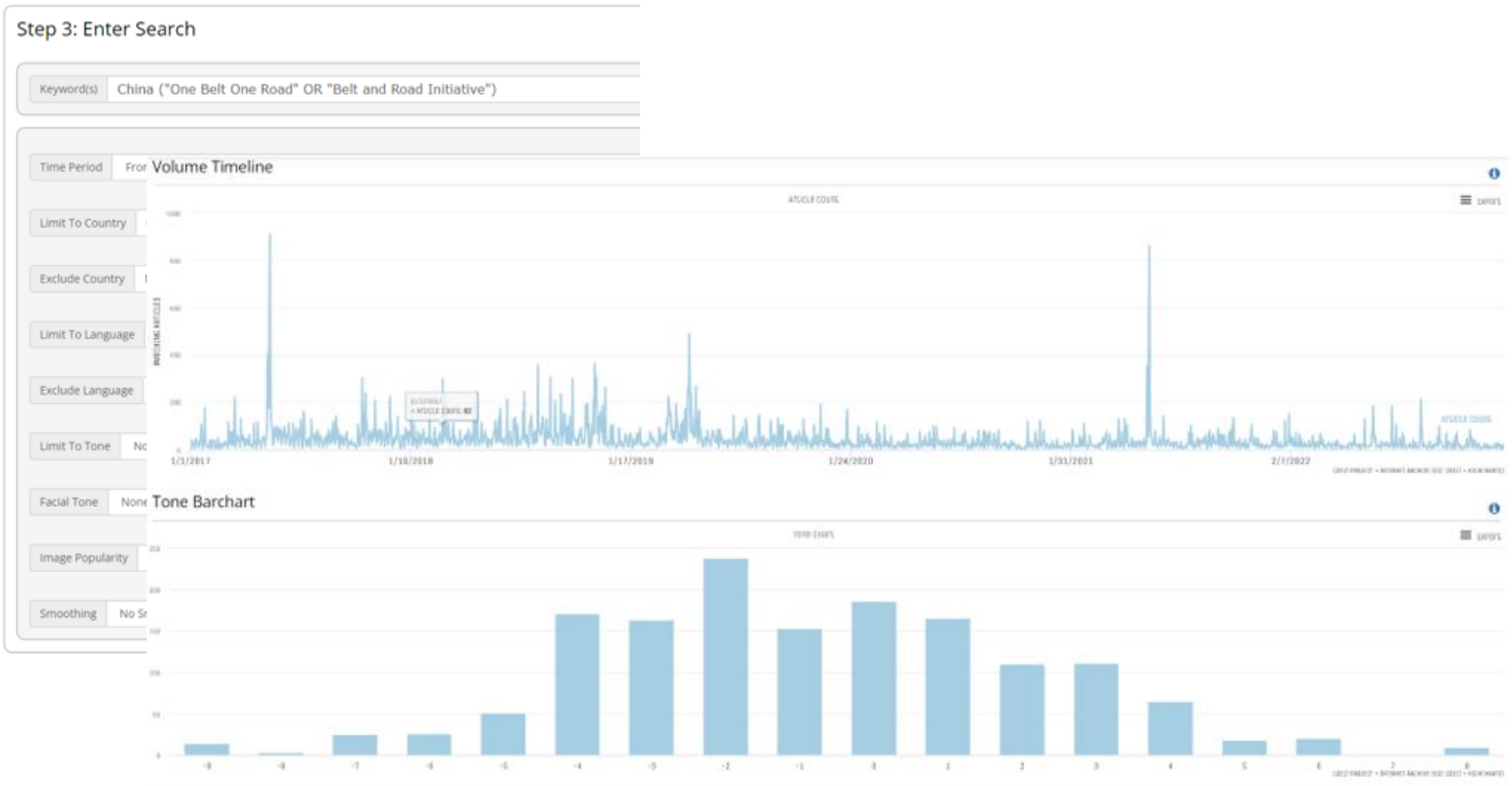


How does the rest of the world, both BRI countries and non-BRI countries see it?

Previous evidence is based on case studies and discourse analysis...

2. Descriptive statistics

The GDELT database



2. Descriptive statistics

Media sentiment in BRI and non-BRI countries

Figure 2: Average Sentiment in BRI and Non-BRI Countries

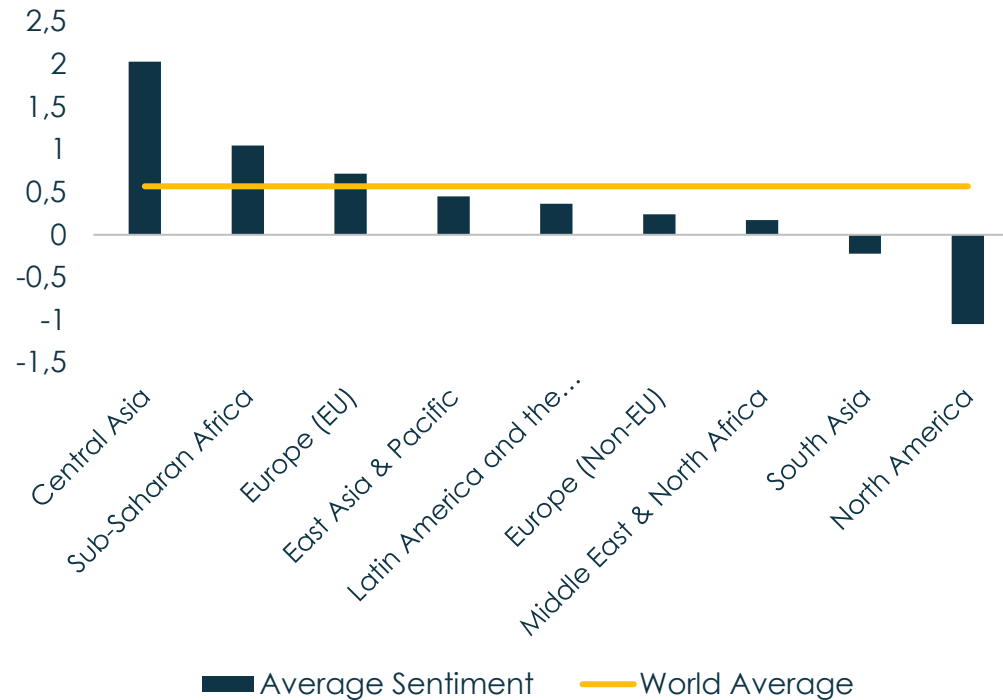


Sentiment in BRI countries is higher than in non-BRI countries, slightly higher in late joiners.

2. Descriptive statistics

There is great inter-regional disparities in sentiment

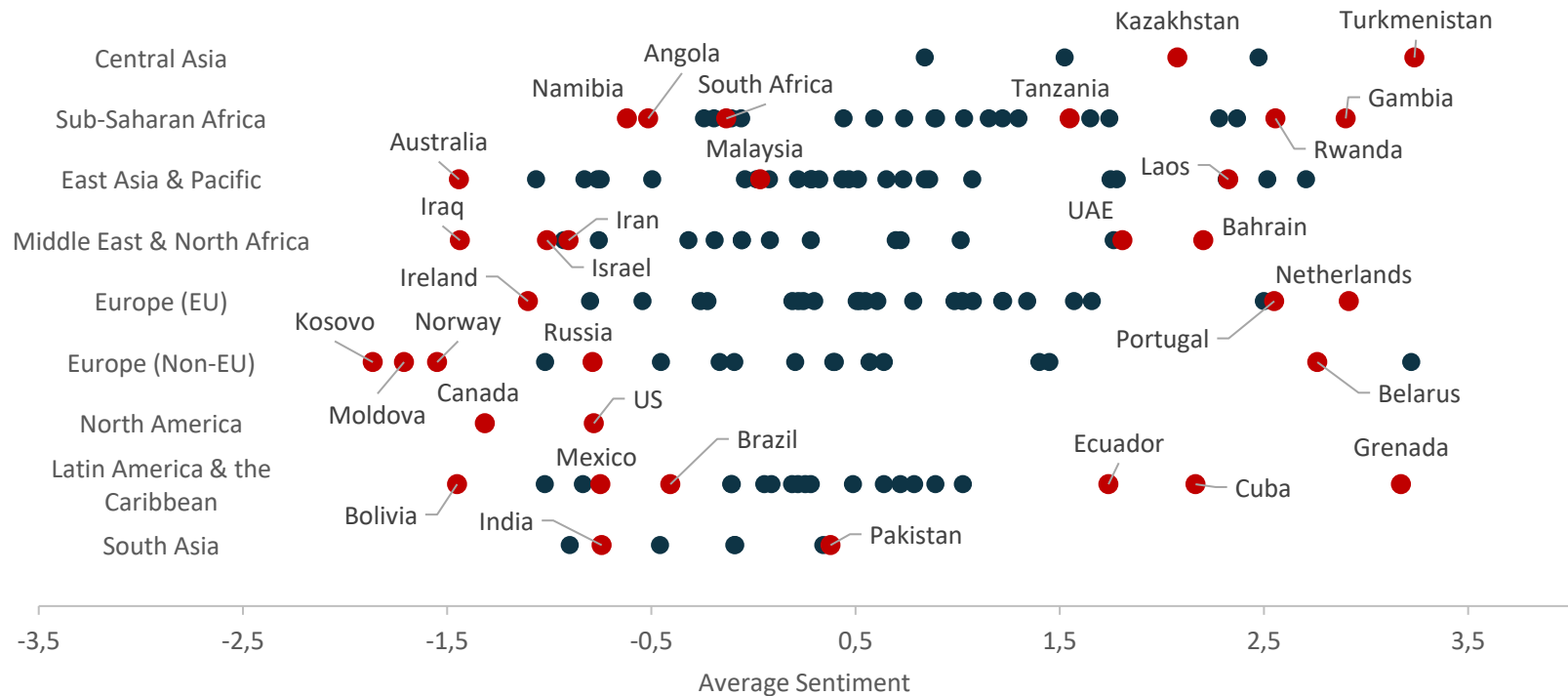
Figure 3: Regional Comparison of tone of media coverage of the BRI



2. Descriptive statistics

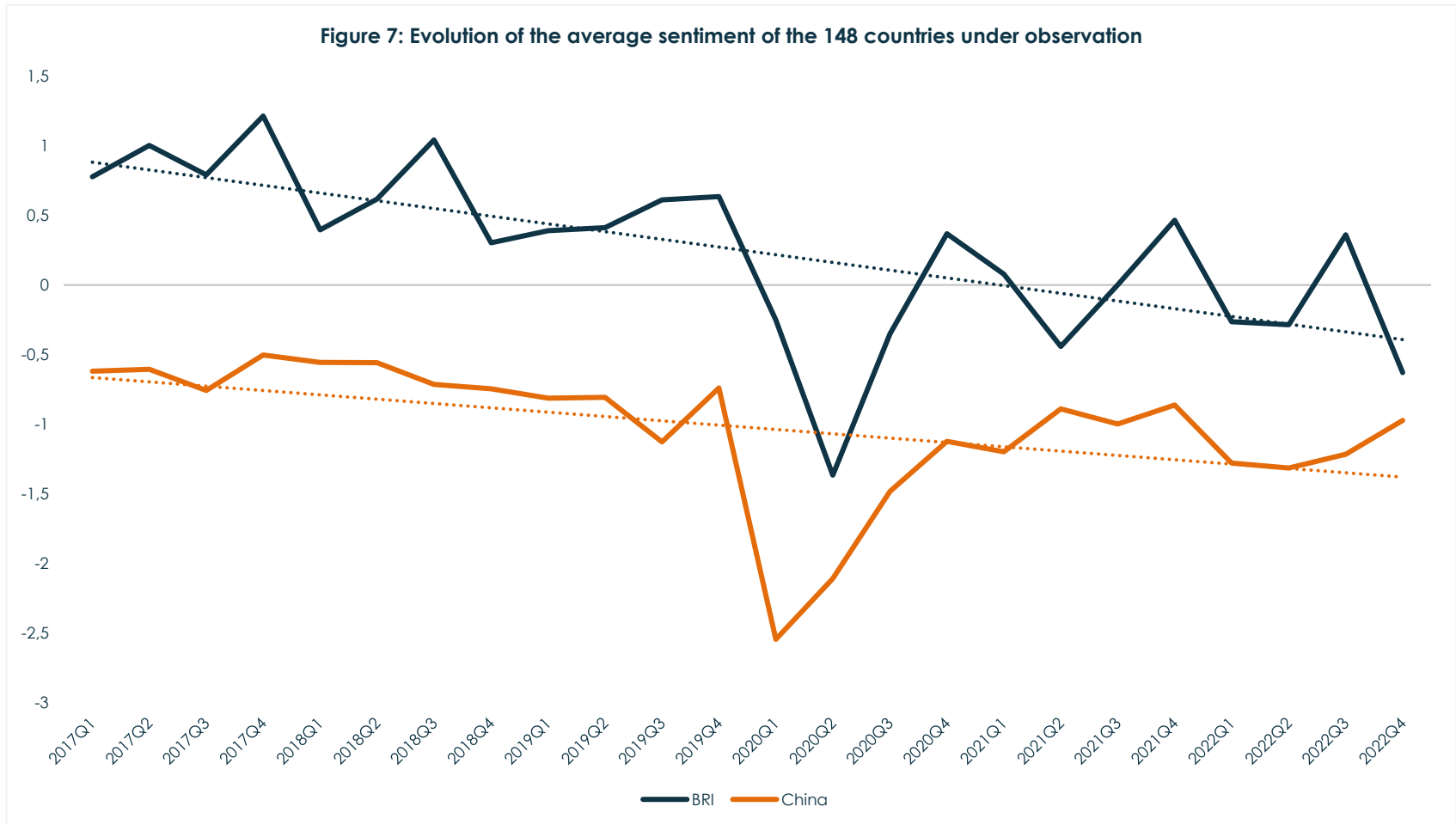
There is great intra-regional disparities in sentiment

Figure 4: Distribution of sentiment across 148 countries and regions



2. Descriptive statistics

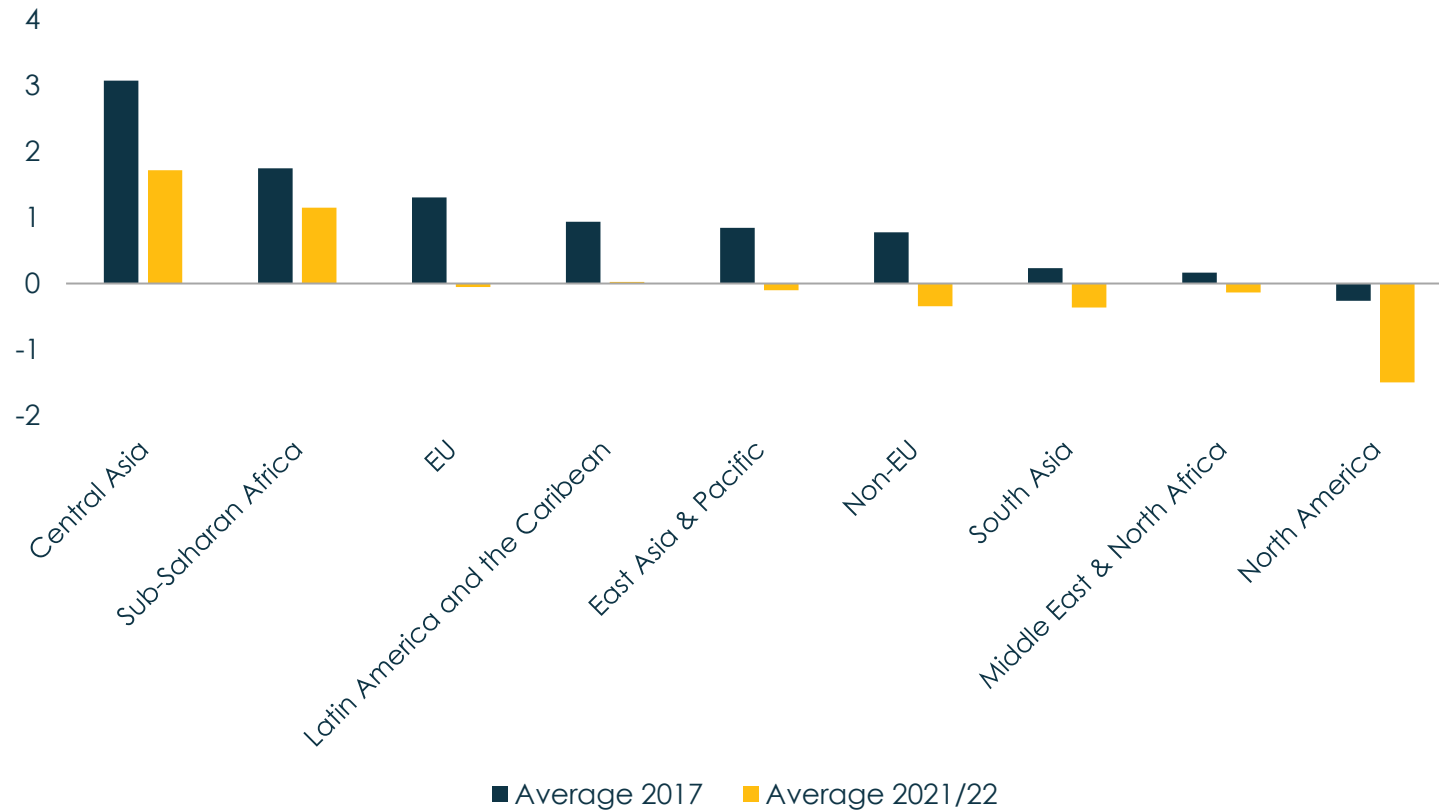
Sentiment for the BRI is higher than for China, but deteriorating...



2. Descriptive statistics

Sub-Saharan Africa and Central Asia are still positive towards the BRI.

Figure 3: Regional Comparison of tone of media coverage of the BRI



3. Empirical analysis

3. Empirical analysis

Research question



What are the main determinants of sentiment towards the BRI?

3. Empirical analysis

Regression analysis: Methodology

Fixed effects model, unbalanced panel dataset:

① Other sentiment variables (using GDELT)

- Investment
- Trade
- China

$$brisent_{it} = \theta_0 + \theta_1 tradesent_{it} + \theta_2 invsent_{it} + \theta_3 cnsent_{it} + \theta_5 controls_{it} + \varepsilon_i$$

② Real economic variables

- GDP (WB)
- FDI from China (CEIC)
- Trade balance vis-à-vis China (UNCTAD)
- Export concentration to China (UNCTAD)
- Import concentration from China (UNCTAD)

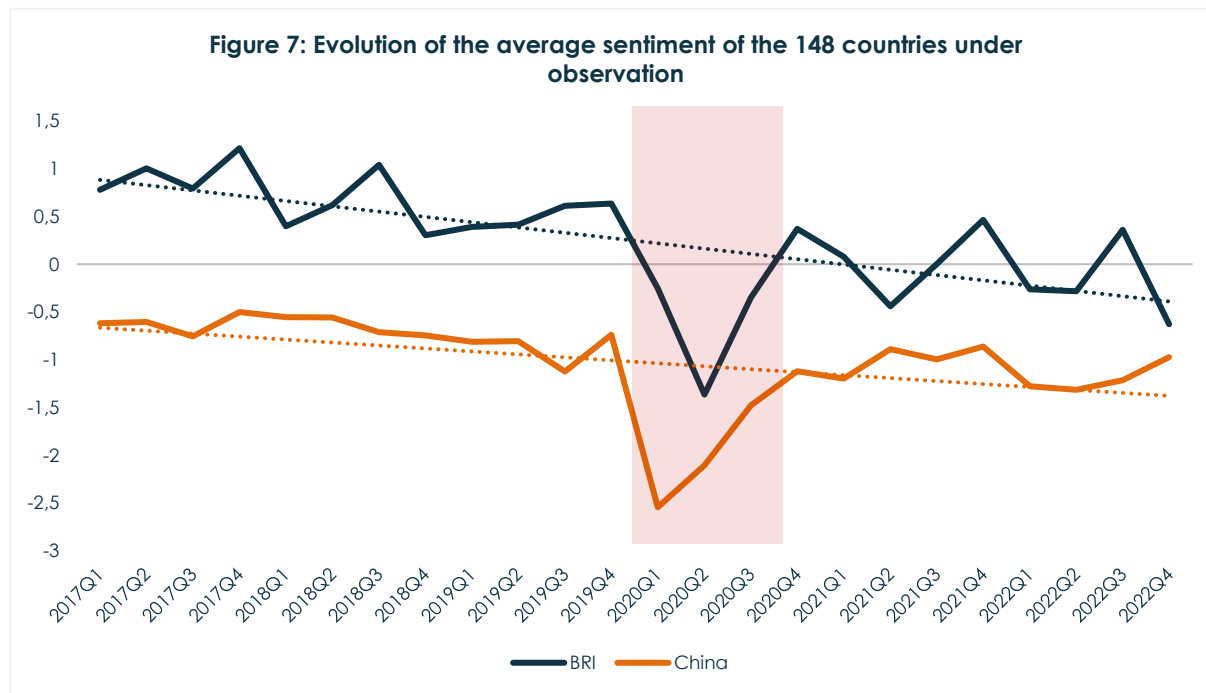
$$brisent_{it} = \theta_0 + \theta_1 lngdp_{it} + \theta_2 fdi_{it} + \theta_3 balance_{it} + \theta_4 exconc_{it} + \theta_5 imconc_{it} + \theta_6 controls_{it} + \varepsilon_i$$

3. Empirical analysis

Sentiment for the BRI is higher than for China, but deteriorating...



We add a dummy variable to both of the models that controls for the year 2020.



3. Empirical analysis

Regression analysis: Results

Trade sentiment	0.145 (1.00)		0.267* (1.91)	0.130 (0.91)		0.255* (1.85)
Investment sentiment	0.416*** (2.98)		0.319** (2.15)	0.419*** (3.16)		0.287** (2.05)
China sentiment	0.279** (2.34)		0.197* (1.75)	0.135 (1.04)		0.0631 (0.55)
Log GDP		1.071 (1.31)	0.444 (0.53)		-0.599 (-0.63)	-0.117 (-0.13)
FDI from China		0.525** (2.39)	0.895*** (4.31)		0.520* (1.89)	0.759*** (3.23)
Trade balance China		8.090 (0.86)	11.77 (1.59)		12.65* (1.70)	12.90* (1.82)
Export concentration		-7.889** (-2.16)	-7.717** (-2.26)		-7.469** (-2.23)	-7.588** (-2.23)
Import concentration		-5.397 (-1.17)	1.988 (0.52)		2.210 (0.58)	3.508 (0.95)
y2020					-0.407** (-2.05)	-0.886*** (-5.65)
Constant	0.913*** (5.00)	-24.96 (-1.21)	-9.521 (-0.45)	0.823*** (4.52)	16.37 (0.68)	4.358 (0.19)
Governance controls	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.165	0.0657	0.215	0.175	0.178	0.227
N. of observations	668	509	508	668	509	508

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Sentiment towards Chinese investment is significant in explaining BRI sentiment but much less so sentiment about trade.

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The high correlation between sentiment about China and that about BRI actually disappears when we introduce a time dummy for 2020

3. Empirical analysis

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Governance controls			Yes	Yes
Country FE			Yes	Yes
R-squared			0.175	0.227
N. of observations			668	508

We find statistically significant positive relationship between FDI from China and sentiment about BRI

Export concentration vis-à-vis China is negatively correlated with BRI sentiment, while the trade balance slightly positively correlated.

3. Conclusions

- Countries with a **positive sentiment about China's inbound investment** are more likely to have a positive sentiment about the BRI. This is less true for trade.
- **Sentiment towards China seems to influence sentiment about BRI** but only in the year of the pandemic (2020).
- **The larger the FDI** received by a certain country from China, the more positive is the sentiment about the BRI.
- The **more positive a country's trade balance** with China the more likely it is to have a positive sentiment about BRI. At the same time, **when exports are too concentrated to China**, sentiment about BRI tends to be worse.

Thank you!

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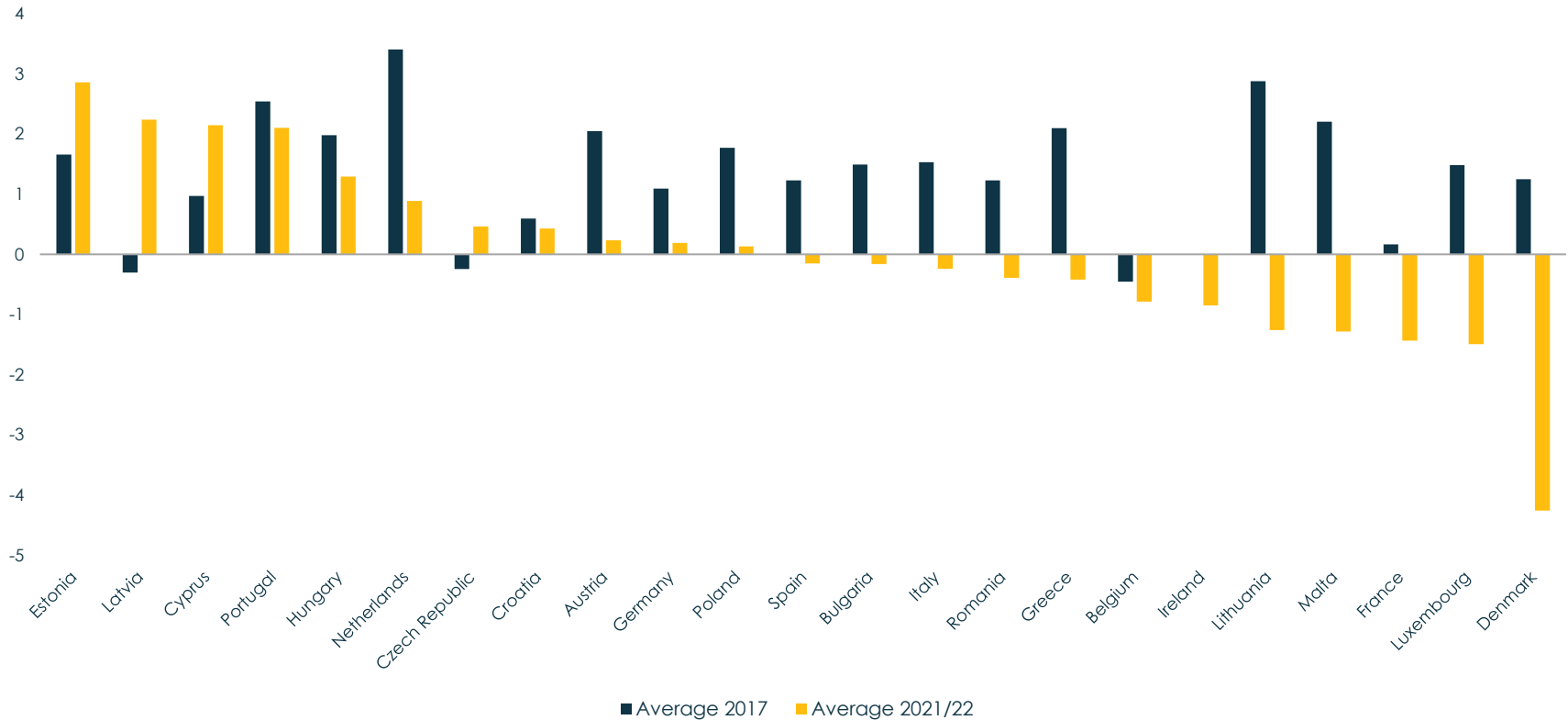
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Appendix

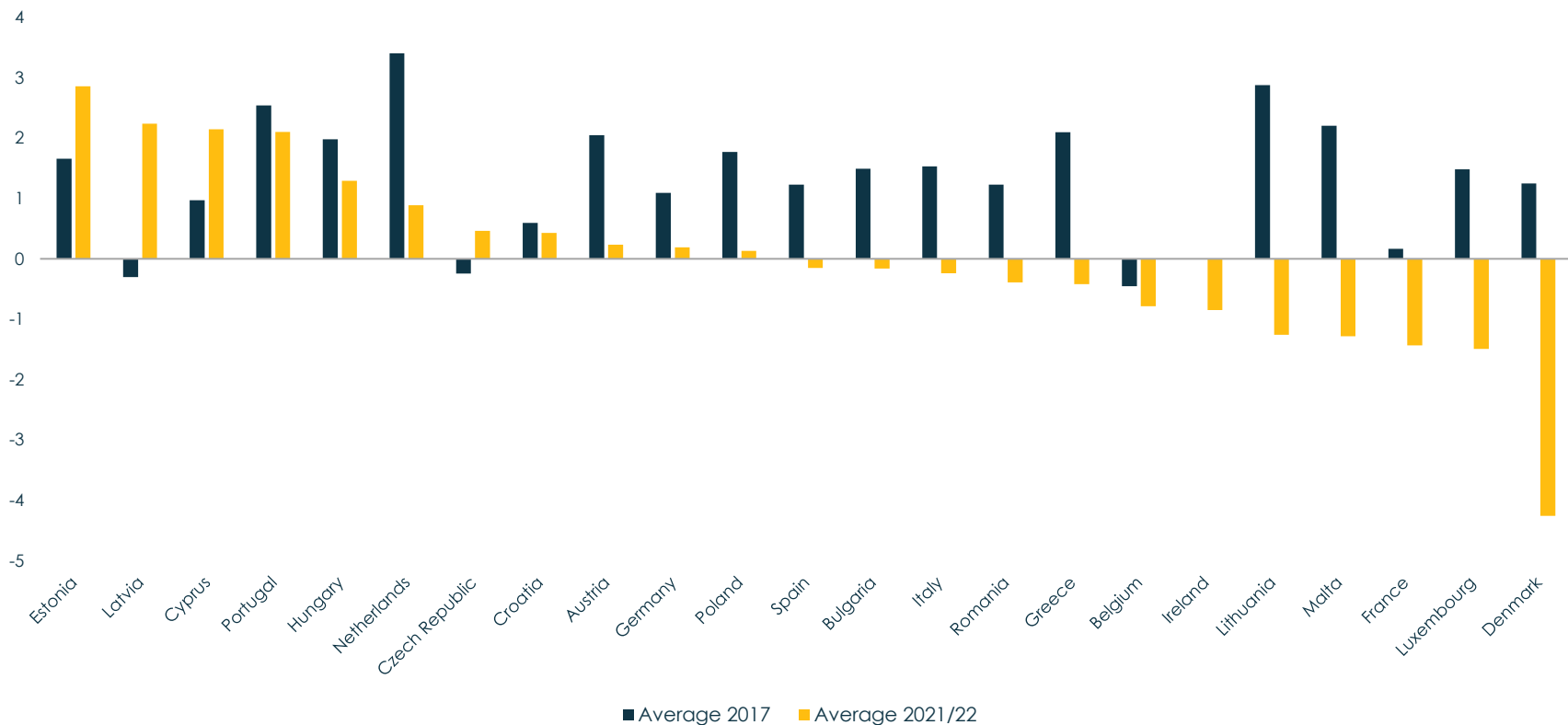
Sentiment change in the EU

Change of tone in selected EU countries



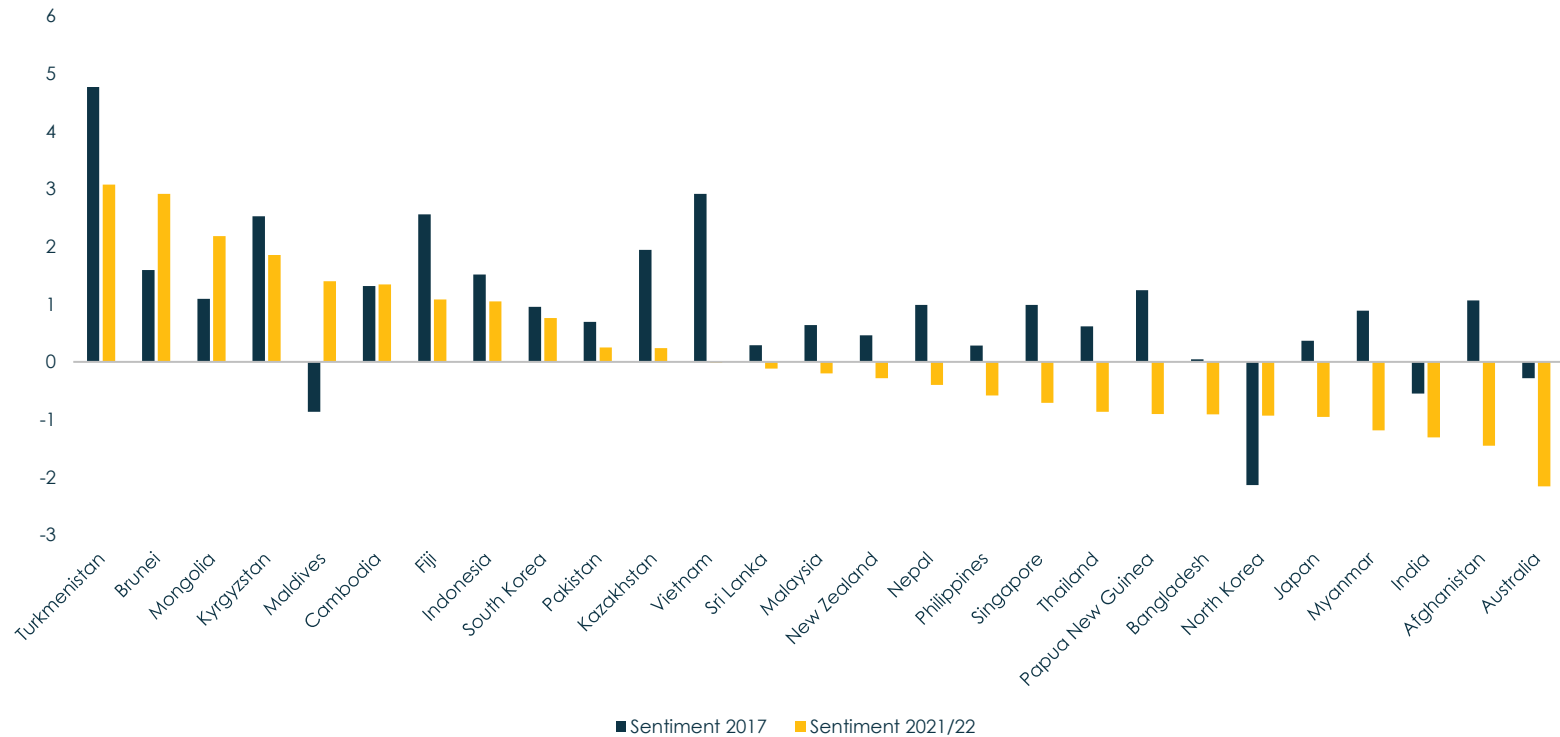
Sentiment change in Africa

Change of tone in selected Africa



Sentiment change in China's neighborhood

Change in sentiment towards the BRI in Central, South and Southeast Asia, by country



Sentiment at the extremes per region (1/2)

		Best			Worst
Region	Country	Reason	Country		Reason
Sub-Saharan Africa	Gambia	Gambia broke diplomatic ties with Taiwan in November 2013, just one month after the BRI was announced. Since 2016, massive investment from China has flooded into the small West-African country. From then onwards, development cooperation has positively shaped sentiment in Gambia towards the BRI (Reuters, 2018).	Namibia		Since the early 2000s China's influence in Namibia has steadily grown with the construction sector playing a major role. The rents of projects mainly went to established elites and has reaffirmed the social and economic exclusion of large parts of the population, specifically those without beneficial political connections (Dobler, 2017).
East Asia & Pacific	Tonga	The BRI's media sentiment in many Island States in the pacific has been positively shaped by heavy infrastructure investment from China, also in Tonga. In 2017, construction ended of the royal St. George palace, built by the Chinese SOE Shanghai Construction Group General Co. (Li, 2022).	Australia		The strongly negative sentiment in the Australian media originates from a general deterioration in bilateral relations with China. Cyberattacks, tariff on Australian exports, and Beijing involvement in the Australia's politics led to widespread Anti-Beijing resentment (Varano, 2021). The Australian government, initially cautiously open towards the initiative has turned its back on OBOR (Jiang, 2021).
Middle East & North Africa	Bahrain	Bahrain embraces the BRI as an integrated part of its homemade Bahrain Economic Vision 2030 (BEV2030). Policy coordination, connectivity, trade and investment, and people-to-people-bonds have been identified as the cornerstones of China-Bahrain economic cooperation. This unusual degree of specificity has positively shaped the image of the initiative in the Kingdom (Chaziza, 2020)	Iraq		Economic cooperation with China has been controversial within Iraq. First, China imports oil from Iraq at a price of \$70 per barrel, while Iraq imports the same amount of gasoline at \$200. This trade imbalance has led to negative resentment within the country while China's approach to investment in exchange for energy supply goods has equally faced criticism (Jyoti Das, 2022).

Sentiment at the extremes per region (2/2)

Europe (EU)	Netherlands	Despite the Netherlands tough stance on human rights issues in China, the Belt and Road Initiative enjoys a strongly positive image. This is most likely driven by business circles who report an increase in official visits from diplomats, investors, and business actors under the aegis of the BRI (Langendook, 2020).	Ireland	Ireland is not a participant of the BRI, nor is it located in a geographically relevant region. It is plausible that the negative sentiment towards China's initiative stems from a generally skeptical view towards China's rise. A study launched by <i>The Journal</i> found that the words most commonly associated with China's rise are "Worrying", "Scary", "Dangerous", and "Frightening" (The Journal, 2021).
Europe (Non-EU)	Bosnia and Herzegovina	Bosnia and Herzegovina has been the major recipient of Chinese investment having received 20% of all construction loans in central and eastern Europe in 2018 (ECFR, 2022). China comes at a strong supporter of the country even when Western nations have called the long-term stability of Bosnia and Herzegovina into question.	Kosovo	China's strong push for the BRI in the Balkans did not meet with enthusiasm across the entire region. Kosovo does still not have official diplomatic relations with China, the latter refusing to recognize its status as a sovereign country, and to make matters worse, Serbia is the key ally of China in the region (ECFR, 2022).
Latin America & Caribbean	Grenada	Since Grenada recognized the People's Republic as the true China, relations between the two countries have improved significantly. In 2017, it became public that the Grenadian government was assisted by China in the crafting of its national development strategy (Synergia, 2017). This shows how trusted the economic relationship between the two countries has become.	Bolivia	Bolivia has been struck by several water crises in the last 25 years. At the same time, Bolivia possesses 60% of the world's lithium reserves (S&P Global, 2021). Intense mining activities by Chinese companies and their alleged diversion of water has led to protests against China's economic footprint in the country, with 86 communities having declared a "state of emergency" (Gómez, 2017).
South Asia	Pakistan	Pakistan enjoys a special place in the BRI with its own title, the China-Pakistan Economic Corridor (CPEC). Initially praised as an alternative trade route to the one through the Malacca strait, many projects have proven unprofitable and widespread debt restructuring is just a matter of time (Freyman, 2021). Nevertheless, Pakistan is the most optimistic country in South Asia, although only with an average sentiment of 0.38.	Maldives	Authoritarian president Yameen's corrupt business deals with China and his \$1.4bn in accumulated debt to China has driven sentiment towards the BRI into the red numbers. China's influence remains strong, with much of the industry depending on Chinese tourists and fishing exports. However, India is now contesting China's position with its own development commitments (Ramachandran, 2020)