A Cultural Perspective of China's Belt and Road Initiative: Impacts, Insights, and Implications

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ABSTRACT

The Belt and Road Initiative is a geopolitical international trade plan developed by Chinese Communist Party economists in Beijing and promoted by General Secretary Xi Jinping since 2013. The visionary plan entails an international multi-country linkage of roads, railways, ports, and distribution centers extending across Asia and Eurasia. This paper emphasizes the importance of cultural values and their impact and influence on the success or failure of the BR-Initiative and evaluates the economic risk and threats of the Belt and Road Initiative and details China’s vision to develop an extraordinary global trading network reminiscent of the ancient Silk Road that will significantly change the current balance of power and trade throughout Asia and the world. The cultural values’ aspect of the BR-Initiative adds another dimension to the prospect of success and whether or not the BR-Initiative will be an economic threat to China or will it be an economic opportunity.

Keywords: Belt and Road Initiative, One Belt One Road, International Trade Network, International Transportation and Distribution, Silk Road, Cultural Vales

JEL Classification: D24, F21, F61, F63, O47, R11

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INTRODUCTION

China’s global trading network proposal, the Belt and Road Initiative (BR-Initiative), has been consistently promoted as a primary goal of China since 2013. This paper emphasizes the importance of cultural values and their impact on the success of the BR-Initiative. The cultural values’ aspect of the BR-Initiative adds another dimension to the prospect of success and whether or not the BR-Initiative will be an economic threat to China or become an economic opportunity. Clearly, the BR-Initiative is an economic opportunity for many nations, and an economic threat to others.

How will the differences in cultural values influence the belt road imitative? Cultural values are important factors that impact economic growth, international trade, marketing, finance, and politics (Leung, Bhagat, Buchan, Erez, and Gibson, 2005). A deep and thorough understanding of cultural values is essential for success, failure to understand cultural values and their impact is a recipe for failure (Dowling, 2008). Misunderstandings are more likely the larger the cultural differences, resulting in miscommunication, mix-ups, and unintended insults, creating stress between partner countries, and leading to a much higher cost of doing business and decreasing the chances of success in the relationship (Blomkvist and Drogendijk, 2013; Malhotra, Zhu, and Locander, 2010; Cui and Jiang, 2010). When people in one country display norms, values, languages, communication patterns, and distinctive behaviors that do not match, and often may conflict with the norms, values, and behaviors in another country, additional time, resources, and effort are needed to overcome the differences. Consequently, there exists a preference for doing business with countries that have similar cultural values (Kang and Jiang, 2012). A study by Bhardwaj, Dietz, and Beamish (2007) found that the more similar and alike the cultural values between countries the more likely foreign investment will take place.

The far-reaching, bold, and ambitious international trade network envisioned by General Secretary Xi is reminiscent of the ancient, unrivalled, and legendary Silk Road. The revival of the ancient trading route through the BR-Initiative is not only an ambitious economic trading proposal and a long term strategic geopolitical strategy, but it is also a major marketing tool to promote China throughout the world. The ancient Silk Route was the greatest world trade route for nearly two-thousand years (in the 12th and 13th centuries lasting until the end of the Middle Ages), with trading not only in goods and services, but in culture, religion, art, and philosophy (Felföldi, 2009, 2017). When the Yuan Dynasty collapsed, the ancient Silk Road collapsed with it.

The recent decline in the economic growth rate in China has prompted some to suggest that China is faced with what is called the middle income trap (ADB, 2017). China’s economy is export dependent. Once an economy reaches a certain level of economic development a rise in household income occurs, and this rise in income erodes a country’s competitive advantage more rapidly for export dependent countries (Vivarelli, 2016). It is reasonable to assume that one reason the BR-Initiative was proposed was to try and overcome the middle income trap, and move China away from labor intensive to capital intensive production (Council on Foreign Relations, 2018).

The BR-Initiative is a monumental infrastructure development plan and free trade agreement. The very ambitious BR-Initiative hopes to connect Asia, Europe, and Africa with major infrastructure. The plan develops roads, ports, railways, airports, gas pipes, and storage facilities to promote trade, with upwards of 900 infrastructure projects planned for the BR-Initiative (Imomnazar, 2018; Bhattacharyay, Kawai, and Nag, 2012). According to Johnson (2016), the BR-Initiative is not simply an economic proposal but a comprehensive geopolitical vision.
Stated goals of the BR-Initiative include:

- Improvement, expansion, and upgrade of transportation links as well as the reduction of trade costs (Lain and Pantucci, 2015).
- Infrastructure development in Asia (Lim, 2016).
- Utilization of unused domestic productive capacities, sourcing demand for over-capacity, finding new markets to sell overproduction and to sell unsold inventory (Lim, 2017).
- Reduce unskilled unemployment in China (Tang, 2015).
- Diversification of investments, markets and suppliers.
- Identify new markets to acquire natural resources, oil, and gas (Tang, 2015).
- Internationalization of Yuan-Renminbi (Subacchi and Oxenford, 2017; Chatham House, 2017).
- Increase international influence. (Sidaway and Woon, 2017).

The BR-Initiative will help to increase exports, expand domestic production, provide access to vital natural resources and thereby improve domestic economic growth and development. (Ernst and Young, 2016). The BR-Initiative is a major plan to promote, encourage, and stimulate international trade and relations to enhance China’s economic and political power (Haiquan, 2017). Das (2017) concludes that the BR-Initiative is mainly motivated by economics, opening up new markets for Chinese goods, and therefore increasing demand for their products and to prevent excess capacity and over production. According to Rolland (2017), the principal reason for the BR-Initiative, “is to build a Sinocentric Eurasian order in which Beijing’s influence and power have significantly expanded, authoritarian regimes have been consolidated and liberal norms have receded”. Yale (2015) suggests that, “the Belt Road Initiative is intentionally designed to promote goodwill, improve diplomatic relationships, and stimulate economic development, all in an effort to gain influence especially along the Maritime Silk Road”. Fukuyama (2016) believes the BR-Initiative is China’s strategy to stimulate demand for Chinese exports as well as to expand its infrastructure and gain influence throughout the world. Rolland (2015) makes the point that it is, “China’s infrastructure diplomacy.” With such massive infrastructure projects, the results will be not only be infrastructure diplomacy, but grass-roots diplomacy, creating jobs and improving the standard of living for all involved.

The last few years, China has undertaken a more aggressive, assertive, and tougher foreign policy. This more assertive policy is reminiscent of the Thucydides trap. Some claim that China has already fallen into the trap. The idea of a Thucydides trap (Allison, 2015) is rejected by China’s government. Allison (2015) states, “the Thucydides Trap refers to when a rising power causes fear in an established power which escalates toward war.” China insists that the BR-Initiative was not launched to challenge the existing world order or to threaten war of any kind. Yet, many scholars see just that, the rising power of China causing fear in the United States that could lead to direct conflict (Wang, 2012; Zhang, 2014; Xuetong, 2014; Zhou, 2014; Allison, 2015; Jin, 2015; He, 2015; Zheng, 2015; Li and Yanzhuo, 2015; Zhao, 2015, 2016; Huang, 2016).

**BR-INITIATIVE ROUTES AND CONSIDERATIONS**

There are currently two main BR-Initiative routes (and six corridors), as shown in Figure 1 (see Appendix). The two main routes include the Overland Southern route and the Southern Maritime Route. The Southern Land Route, originates in Beijing, goes to Urumqi, then on to Turkey and from there to the European Union. This will be a long (in terms of time) and expensive option for China’s initiative. A cheaper and faster solution (see Figure 1
in Appendix) is the Southern Maritime Route, which, although cheaper and faster to get started, will be more expensive and time-consuming for all businesses concerned compared to the rapid overland high-speed rail system, which would be employed by the Southern Land Route.

You can see from Figure 1 (see Appendix) that the Land Route is a more direct route and it would be much faster and cheaper for businesses than the Maritime Route. For the government of China, the Maritime Route is much cheaper and easier to put into effect. The Maritime Route requires less construction and infrastructure to complete the route. However, China’s long term strategic goal is to develop both the Land Route and the Maritime Route.

The Overland Route goes through moderate weather regions, but there are some potentially volatile nations that have uncertain political environments. The dominant culture in several of the countries in the Southern Overland Route is primarily Islamic. Fortunately, for China, each of the countries considered in the Southern Route are currently in fairly calm political waters, as far as radicals or extremists are concerned. Ironically, only China has had recent difficulties with Islam in the city of Urumqi, which coincidentally is the starting point of the BR-Initiative in Northwestern China. Figure 2 (see Appendix) shows a simple map of one of the planned Southern Overland routes starting in Urumqi and continuing to Teheran.

As you can see from Figure 2 (see Appendix), Urumqi will have a major role as the initial starting point on the route to Teheran, and then to Turkey. Starting from Beijing, the final destination point of the Overland Route is Urumqi in Northwestern China. Urumqi is the starting point for the route out of China into Central Asia. The Overland Route begins its movement westward out of China to Kazakhstan through Almaty then on to Kyrgyzstan, Uzbekistan, and Turkmenistan before reaching Iran and going to Turkey. China has finalized several deals already with Kazakhstan and is negotiating with Kyrgyzstan, Uzbekistan, and Turkmenistan, the next countries that the Land Route must pass through (ITE Oil & Gas, 2015). Uzbekistan is pretty much in the same category as Kazakhstan; Uzbekistan is primarily a Muslim country and it does not currently have any major internal turmoil among its Muslim population. The situation in Kyrgyzstan and Turkmenistan should also be somewhat similar to Uzbekistan though each country has its own unique situations to deal with. Finally, the Land Route will pass through Iran and into Turkey where both countries (especially Turkey) could present several unique and challenging problems to overcome in negotiating and agreeing to the proposed route.

Unsettled Disputes along the Maritime Trade Route

In addition to the Land Route, China is planning an extensive Maritime Trade Route. The Maritime Trade Route is set to pass through several ports that are located in countries with long held, unsettled disagreements, conflicts, and arguments regarding sovereignty of islands concurrently claimed by China and other nations. These disputes involving BR-Initiative countries have still not been settled and could create future problems for China. These disputes include:

- The “South China Sea dispute”. (Kipgen, 2018; Regilme Jr, 2018; Zhang, 2018).
- The Sino-Vietnamese “Paracel islands sovereignty” dispute (Kipgen, 2018; Regilme Jr, 2018; Zhang, 2018).
- “Spratly islands sovereignty” dispute (Kipgen, 2018; Regilme Jr, 2018; Zhang, 2018).
- The Diaoyu islands dispute (Dreyer, 2018; Xiaolin, 2018).

The Maritime Route may be expanded to at least two Maritime routes, instead of one, which can be implemented cheaply, include more countries, and can be put into action faster
than the overland route. According to China Daily, “The China-Indian Ocean-Africa-Mediterranean Sea Blue Economic Passage will be based on coastal economic belts in China. It will link the China-Indochina Peninsula Economic Corridor, and run westward from the South China Sea to the Indian Ocean, connecting the China-Pakistan Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor. The China-Oceania-South Pacific Blue Economic Passage is set to head south from the South China Sea into the Pacific Ocean” (Zhao, 2017). The China Daily article goes on to report about a planned Arctic Maritime Route as well, but the Arctic route might present a whole new set of difficult logistical problems. The two southern routes appear more practical, cheaper, and faster to put into motion in the near future, assuming the countries in that region are willing to cooperate for a mutually beneficial financial and economic outcome, then the southern routes are the most likely and most attractive strategy.

CULTURAL VALUES AND THE BR-INITIATIVE

It is important to study the potential conflicts, caused by cultural differences in the countries along the BR-Initiative. There are many studies discussed in this paper suggesting cultural differences result in problems establishing trade agreements and partnerships. This paper first examines the literature to explain these concepts while using a cultural difference index to evaluate nations along the proposed trade routes.

The Impact of Dissimilar Cultural Traits

Different cultures exist in different countries and these differences can lead to cultural trade barriers. Different cultures and communication styles may cause misunderstandings and conflict undermining the agreements and success of trade partnerships. Several studies have found export markets are negatively impacted the greater the cultural differences that exist between countries (Hofstede, Jonker, and Verwaart, 2008; Beracha, Fedenia, and Skiba, 2014; Cyrus, 2015; Adao, Costinot, and Donaldson, 2017). Trading costs are correlated with distance, asymmetric and incomplete information regarding cultural differences, institutional and political differences, all of which can have an unfavorable effect on trade between countries, increase trade cost, and impair contract enforcement and therefore reduce the amount of trade and cooperation between them (Parkhe, 1991; Trefler, 1995; Hofstede, 2001; Berthelon and Freund, 2004; Anderson and Van Wincoop, 2004; Neal, 2016).

Confucius beliefs are still widely held in China and are in contrast to the cultural and religious beliefs in many of the partner BR-Initiative countries, and therefore, creates some problems and obstacles for successful agreements (Buckley, Clegg, Cross, Liu, Voss, and Zheng, 2009). Buckley, et al. (2009) suggested that cultural distance hurts China’s international direct investment. Some countries accept new ideas and methods of doing things rather quickly, while others are slower to adapt to new systems. The countries involved with the BR-Initiative have different ethnic groups, cultures, customs, communication styles, ideologies, ethics, and ways of thinking, are all important factors that will determine the success of the BR-Initiative. There are a large number of religious beliefs, including Islam, Christianity, Hinduism, Buddhism, and local, less well-known religions, along the BR-Initiative country routes. Big differences exist in economic systems, ideologies, cultural values, and historical traditions of these countries. Countries along the BR-Initiative include socialist countries as well as capitalist countries, and the monarchies of the Arab world. Liu, Lu, and Wang (2018) show that cultural difference decreases China’s exports and
imports with BR-Initiative countries, and they attribute much of this to transaction cost and the existence of asymmetric information.

Many Chinese companies are inexperienced, untrained, or poorly trained, when dealing with ethnically and culturally diverse countries. Chinese companies and business people have sometimes been faulted for their insensitivity to local customs and practices, not accommodating religious customs (for example, prayer times and Ramadan fasting) and having an aversion to local foods. Furthermore, local Chinese living in BR-Initiative partner countries may be favored by Chinese officials and investors, but this is likely to create an anti-Chinese backlash by other ethnic groups in partner countries. Chinese companies and investors must learn to understand each partner country’s culture and behavior, or significant problems will occur, and will likely create ineffectual relationships (Luo, Shenkar, Nyaw, 2001; De Mooij and Hofstede, 2002; White III, Hadjimarcou, Fainshmidt, and Posthuma, 2013). However, Chinese companies often use practices that alienate local business and officials, including the use of Chinese equipment (brought from China), bringing their own Chinese labor to do the work in the local country, undercutting local suppliers, using their own materials, defaulting on contracts, and ignoring local regulations. The Chinese style and business practices often create animosity by host country people and businesses. There is also the uneasiness by some countries with the idea of Chinese expansionism and increase in world power.

Guiso, Sapienza, and Zingales (2006) and Barkema and Vermeulen (1998) find that joint ventures are negatively impacted by greater cultural differences and they conclude that there is a higher probability of joint venture failure in these cases. Li and Guesing (1991) and Larimo (1998) conduct studies that show results that are similar to Barkema and Vermeulen (1998). Aggarwal, Kearney, and Lucey (2009) looked at investment patterns by foreign investors and found significant disincentives existed in the presence of large cultural differences, and according to Xu and Li (2011) overseas direct investment by China is also negatively impacted when large cultural differences exist. According to Lankhuizen, and de Groot (2011), if the cultural distance is very high, then you will see reduced trade, but if cultural distance is not too high then you will not see reduced trade.

Gorodnichenko, Kukharshky, and Roland (2017) found that the higher the cultural difference the less chance the partner company will be incorporated into the foreign company. Other studies that indicate an inverse relationship between trade and cultural difference, include, but are not limited to, Boissio and Ferrantino (1997); Guo (2004); and Dunlevy (2006). Some studies of cultural differences suggest that more cultural differences lead to more, rather than less, trade between countries (Linders, Slangen, de Groot, Beugelsdijk, 2005; Lankhuizen, de Groot, Linders, 2011). Similar results were found by Larimo (2003) indicating more cultural distance is associated with more trade. One explanation is that a country’s comparative advantage may be connected to cultural differences and the comparative advantage can overcome the cultural differences that may occur (Obstfeld and Rogoff, 2000).

The Impact of Similar Cultural Traits

According to studies done by Lien, Oh, and Selmier (2012) and Lange, Lenglet, and Seyfert (2016), countries with more similar cultures are better able to establish mutually beneficial trade agreements, and the greater the similarities the greater the trade volume. In a study by Akhtaruzzaman, Berg, and Lien (2017) they find that the Confucius Institutes located in other countries have a supportive and beneficial effect on bilateral trade relations and international investment.
Linders, Slangen, de Groot, and Beugelsdijk (2005) suggest that similar cultural values and cultural traits promote trade, and that countries prefer to set up production in countries with similar cultural values. According to Fan, Zhang, and Liu (2016) countries cultural values that are alike, are more willing to partake in mutually beneficial trade. Fan et al. (2016) emphasize the idea that cultural nearness or cultural closeness creates similar consumer taste and preferences leading to more trade. Lankhuizen and de Groot (2011) find that cultural differences may decrease trade when a certain threshold is reached, but until then, more trade actual takes place with more cultural differences.

CULTURAL DIFFERENCES AND TRADE

Individualism Cultural Value

Individualism (IND) is an extremely significant cause of cultural differences and social behaviors between countries (Markus and Kitayama, 1991). Societies that emphasize the importance of individuals, vis-à-vis, the importance of the group, are said to have high IND. Societies that emphasize the importance of the group are said to have low IND. Societies with high IND exhibit confidence, set high individual goals for personal achievement, and value independence. Low IND societies are often referred to as collectivist societies where group identification is extremely important. Group identification begins with one’s family, where family members learn who is in-group and who is not in-group. The group loyalty is maintained for their entire lives and is of paramount importance. In high IND societies the focus is on independence and making it on their own (Hofstede, 1991, 1994, 2001).

Guanxi is very important in China. Chinese culture places a great emphasis on their family and their social networks and personal connections. These connections are referred to as Guanxi. Ties to one’s family is the highest level of Guanxi. Lower levels of Guanxi include ties to familiar people and acquaintances. Those that are not in-group, strangers, and unfamiliar people do not receive the benefits of Chinese Guanxi. To establish partnerships and agreements, it is necessary to understand and develop Guanxi. A lack of Guanxi will certainly result in failure with Chinese business partners. The collective orientated society treats in-group relationships similar to a close family, based on morals, faithfulness, and emphasizing loyalty, whereas individualistic societies are more focused on merit, ability, or mutual advantage.

Cultures with high IND perceive fairness as something that applies to everyone without regard to in-group or out-of-group, individualistic societies tend apply the same value standard to everyone. In the collective society, different ideas of fairness are applied based on whether someone is in-group or not (Redding, 2013). Guanxi is related to the cultural dimension of Individualism/Collectivism. Therefore, business negotiations, partnerships, and trade agreements must establish Guanxi to become part of the group. BR-Initiative countries high on IND are at a disadvantage with this type of relationship.

As shown in Table 1 (see Appendix), China has a very low IND cultural value score of 20 and is a collectivist society. Chen and Li (2005) studied China and Australia and found that Chinese (with low IND) were less accommodating, more uncooperative with foreigners than with Chinese, while Australians cooperated similarly with both foreigners and Australians. In those BR-Initiative countries that have high IND there is generally more competition, independence, and need for success and recognition which may lead to conflict jeopardizing the BR-Initiative projects (Vakulchuk and Overland, 2018).

Cultural values impact the legal system, information symmetry, and investor protection. For example, low IND countries have legal systems and laws that are often
applied differently to different groups in society (Hofstede, Hofstede, Minkov, 2010). Countries with high IND cultural values have a good legal system, equal justice, and effective regulatory systems, and their economic systems are more competitive, more open and protect the rights of investors than countries with lower IND (Licht, Goldschmidt, and Schwartz, 2005; Gray, 1988). In addition, high IND countries do not tolerate corruption as much as lower IND countries do (Tsakumis, Curatola, and Porcano, 2007).

**Power Distance Cultural Value**

From Table 1 (see Appendix), Power Distance (PD) in China is high (80) indicating Chinese people and Chinese companies will respect the chain of command and power structure or hierarchy that exists in other countries. Understanding and accepting one’s role in society is an indication of high PD. PD is a cultural value that helps to maintain cohesiveness in society and could help to promote the success of the BR-Initiative when dealing with other countries that have a similar PD, but it might be a deterrent in those countries that have a low PD, for example, Central Asian counties have low PD as shown in Table 1 (see Appendix). However, Qiu and Homer (2018) maintain that high PD can have an adverse effect on the entry and success of Chinese companies when they enter foreign markets that also have a high PD. The implication is that Chinese companies can use equity financing more successfully in those countries with low PD because the lower PD countries have a more collaborative management style, but most of the BR-Initiative financing is provided through loans (Vakulchuk and Overland, 2018). Furthermore, Chinese companies are attracted to countries that have a similar collective orientation (Qiu and Homer, 2018).

Even the willingness to share information is related to cultural values. Since power inequalities are accepted in countries with high PD, managers are more guarded, do not share information readily, resist disclosing company information, and these countries can readily accept unethical business practices, as well as accept tax evasion and corruption (Tsakumis, Curatola and Porcano, 2007; Husted, 1999; Zarzeski, 1996; Cohen, Pant, and Sharp, 1996).

**Uncertainty Avoidance Cultural Value**

Uncertainty Avoidance is a key success factor in international trade and cross-cultural relationships (House, Hanges, Javidan, Dorfman, and Gupta, 2004). Cultural differences increase ambiguity, unpredictability, and uncertainty. High Uncertainty Avoidance (UA) countries can be more costly to deal with, since trading incurs higher risk and more uncertainty (Hofstede, 1989). According to House et al. (2004), when individuals from low UA cultures interact with UA cultures, there is more misunderstanding and frustration resulting in more problems in doing business. High UA cultures generally establish very formal rules, more strict social behaviors, and impose a more detailed record keeping system, while low UA cultures are just the opposite, with less rules, less record keeping, and very informal behaviors. People with high UA are often suspicious of those from low UA due to the more casual attitude and less concern for rules and regulations, therefore making it more difficult and more costly to engage in trade (MacDermott and Mornah, 2016). High UA countries will require extensive documentation guarantees when dealing with low UA countries, this is known as the documentary burden (MacDermott and Mornah, 2016). Bulgaria, Greece, Latvia, Lithuania, Ukraine, Serbia, Montenegro, Mongolia, Armenia, Myanmar, Kazakhstan, Slovenia, Turkey, Iraq, Hungary, Israel, United Arab Emirates, Saudi Arabia, Egypt, Kuwait, Uzbekistan, and Kyrgyzstan all have high UA values, above 75, indicating potential problems establishing trade agreements, maintaining partnerships, and succeeding in BR-Initiative projects.
Chinese society has a moderately low Uncertainty Avoidance value (30) as seen in Table 1 (see Appendix). Therefore, Chinese companies are willing to bear risk and can handle uncertain environments and would have more success in BR-Initiative countries that also have a low UA (Vakulchuk and Overland, 2018). According to Qiu, and Homer (2018) Chinese companies prefer to partner with companies in other countries that have similar UA values or, lower UA than China has, because lower UA value countries are generally easier to communicate with, have a less stressful work environment, and are less concerned about predicting results (López-Duarte, Vidal-Súarez, and González-Díaz, 2015), and lower UA countries are more willing to work with Chinese companies, in addition, there tend to be less rules and regulations in low UA countries. High UA countries tend to have more rules and regulations that make doing business by foreign companies more difficult (Vakulchuk and Overland, 2018).

The use of bank financing, and the promptness of payment, is also influenced by cultural values. For example, high UA countries prefer to use bank financing and generally have a negative impression of market systems (Kwok and Tadesse, 2006). The attitude toward bill payment is more cavalier in countries that have high UA, leading to a slower, and often times deferred, payment of debts (De Mooij, 2010). High UA is also associated with strong fundamentalist political ideologies (Hofstede et. al., 2010). Economic systems in high UA countries tend to be less market oriented, have more corruption, have a higher incidence of tax evasion, and harbor political parties with strong beliefs, resulting in poor credit ratings with higher default rates on debt (Dang and Partington, 2016; Dang, 2018).

**Masculinity Cultural Value**

Since international trade is highly competitive, a high Masculinity (MAS) value is an important factor for success (Frank, 2012; Lankhuizen, and de Groot, 2011). Higher MAS values tend to increase trade between countries (Kristjánsdóttir, Guðlaugsson, Guðmundsdóttir, and Aðalsteinsson, 2017). From Table 1 (see Appendix), China’s MAS score is relatively high at 66. Countries with higher MAS have also been found to have a higher level of new product acceptance (Yeniyurt and Townsend, 2003; Kristjánsdóttir, Guðlaugsson, Guðmundsdóttir, and Aðalsteinsson, 2017). Guiso, Sapienza, and Zingales (2006) find trust to be a significant factor involved in international trade and conclude that lower trust results in less trade between countries.

China’s relatively high MAS score indicates an achievement and success oriented society, with definite gender roles, and with an emphasis on material rewards. Chinese people will make tremendous sacrifices to provide for their family, forgoing leisure and taking jobs in other provinces or countries, working long hours and sending all the money back home to their family (Hofstede, 1983; Moon, 2011). Generally speaking, Chinese companies prefer to do business with those that have MAS values lower than their own, because in those low MAS cultures, there is less competition and more chance Chinese companies can maintain control (Vakulchuk and Overland, 2018). Both low MAS and High MAS are necessary for successful partnerships. There is a need for high performance orientation, for which a high MAS cultural dimension is necessary, and there is a need to be concerned for people, for which a low MAS cultural dimension is essential (Hofstede, 1989; López-Duarte, Vidal-Súarez, and González-Díaz, 2015). Only Slovakia, Mongolia, Hungary, and Iraq have MAS scores higher than China.
Long-Term Orientation Cultural Value

China has a high LTO cultural value score of 87. The cultural dimension of LTO has embedded in it the value of trust in the future, which bodes well for China’s success in international trade. In those countries with low LTO, the emphasis is the current time (living for the moment), spending now on current consumption, a lack of a long-term view, and wanting results and gratification immediately. Countries with high LTO are more patient, look to the future, keep their focus on long term goals, and are interested in economic success, and therefore are more likely to invest for the future, engage in trade, produce more, and create more wealth for their society. Uzbekistan, Saudi Arabia, Russia, Kyrgyzstan, Czech, Thailand, Syria, Romania, Philippines, Iraq, Lithuania, Poland, Armenia, Jordan, Latvia, Iran, and Egypt have low LTO values below 40 indicating difficulties maintaining and completing long term BR-Initiative projects.

In Long-term oriented societies, managers are allowed time and resources to engage in strategic activities that may not be profitable in the short run, but are able to achieve long term goals to benefit future generations (Hofstede et al., 2010).

The Cultural Differences Index

As one can see from the analysis of the literature, trade is connected to the cultural value comparisons between the trading nations. The current authors study these comparisons as it relates to both general trade patterns, but more pertinent to China and the BR-Initiative.

The Kogut and Singh (1988) index (KS-Index) is a measure of cultural differences. The KS-Index is used more than any other method to measure cultural differences between countries, and is still extensively cited, with more than 6500 citations (Harzing and Pudelko, 2016; Kirkman, Lowe, and Gibson, 2017). According to López-Duarte, Vidal-Suárez, and González-Díaz (2016), “more than 80% of the articles on culture and firm internationalization focused on cultural distance”. The general idea is that cultural differences results in problems, difficulties, and misunderstandings making international trade agreements and partnerships much more difficult to create and maintain. To establish the cultural index the authors first calculated the cultural differences (see Table 1 in Appendix) values using the Kogut and Singh (1988) formula shown in the following equation:

$$ CD_j = \frac{1}{4} \sum_{i=1}^{4} \left( \frac{(I_{ij} - I_a)^2}{V_i} \right) / 4 $$

Where:
- “$CD_j$ is the cultural distance of the $j$th country from a base country (denoted by subscript $a$).” (Kogut and Singh, 1988).
- “$I_{ij}$ indicates the national Hofstede cultural dimension score on the $i$th dimension of country $j$. “ (Kogut and Singh, 1988). These cultural dimension represent the four national cultural dimensions of IND, PD, UA, and MAS, as identified by Hofstede (1980).
- “$V_i$ is the variance of the score per cultural dimension $i$, used to make the calculated distances on the separate dimensions to make them comparable and consistent before summation.” (Kogut and Singh, 1988). LTO is not used in the calculation since the LTO score is unavailable for many countries.
- The KS-Index computes the squared differences of the Hofstede scores for each nation and compares it to the base country. The squared differences are standardized by dividing by the variance for each dimension (Kogut and Singh, 1988).
Therefore, the KS-Index calculation tells us that the smaller the CD, the more similarities exist between country \( j \) to the base country (in this paper China), as theorized by Hofstede. The authors use the KS-Index to compute the cultural distance for 47 BR-Initiative countries using China as the base country. The cultural distance is computed without the Long-Term dimension as shown in Table 1 (see Appendix).

Many studies have shown that international trade and geographic distance are inversely related, the larger the distance between countries the less trading takes place (Eaton and Kortum, 2002). Distance is frequently an estimate for transportation cost, distribution cost, and other transportation cost (Anderson, 1979; Deardorff, 1998; Head, 2003; Starck, 2012). Essentially, more distance means higher transport costs. Clearly, the further you are from another country, the more distance you must travel to initially make trade agreements and establishment partnerships, and the more expensive the shipping and transportation, so the harder and more difficult it will be to work together in that country (Ghemawat, 2001; Berry, Guillén and Zhou, 2010). In a study by Frankel and Rose (2002) they found that “for every 1% increase in physical distance between two countries, trade flows decrease by 1.1%”. A study by Ghemawat (2001) found that, “the amount of trade that takes place between countries 5,000 miles apart is only 20% of the amount that would be predicted to take place if the same countries were 1,000 miles apart.” However, even though geographic distance has a major influence on international trade, the authors of this paper focus on the impact of cultural distance and not geographic distance. Hofstede’s cultural dimensions and the cultural distance derived from those values reflect important success factors and characteristics for international trade partnerships and agreements. The use of geographcal distance does not sufficiently capture cultural values. Cultural values are more meaningful, expressive, and revealing factors needed to understand the interaction between trading countries and therefore are the main focus of this paper.

When the cultural distance index is less than 1, trade is much easier when the distance is from 1-3, trade progressively becomes more difficult to sustain and when it is over 3, both establishing and continuing the trade relationship is very difficult. While regional proximity often makes trade mandatory, the cultural distance index indicates that starting, maintaining, and expanding that trade will be difficult.

The cultural distance (see Table 1 in Appendix) is less than one for Hong Kong, Kenya, Philippines, Malaysia, Vietnam, Indonesia, Singapore, Bangladesh, Nepal, Syria, India, and Jordan. These BR-Initiative countries have similar cultural values to China making trade agreements and partnerships easier and therefore the chance of BR-Initiative projects succeeding is more likely.

The cultural distance (see Tables 2 in Appendix) is greater than one, but less than two, for Pakistan, Thailand, Iran, Saudi Arabia, United Arab Emirates, Czech Republic, Egypt, Iraq, Kuwait, Bhutan, Croatia, Turkey, and Sri Laka. These BR-Initiative countries have cultural values that are slightly different than China, enough cultural distance exists to make trade agreements and partnerships a little more difficult to create and maintain making for added transaction and negotiation cost.

The cultural distance (see Table 1 in Appendix) is greater than two, but less than three, for Serbia, Montenegro, Slovakia, Greece, Romania, Slovenia, Estonia, and Poland. These BR-Initiative countries have cultural values that are significantly different than China and will likely impair and impede trade agreements and partnerships necessary for success of the BR-Initiative.

The cultural distance (see Table 1 in Appendix) is greater than three for Armenia, Kyrgyzstan, Israel, and Latvia. The cultural distance is greater than four for Myanmar/Burma, Uzbekistan, Maldives, Ukraine, Lithuania, Kazakhstan, Bulgaria, Russia, Hungary, and Mongolia. These BR-Initiative countries have cultural values that are
Corruption Perception Index

According to Transparency International (2019), “the Corruption Perceptions Index (CPI) ranks countries by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys”. Transparency International (2019) states that, “the CPI generally defines corruption as the misuse of public power for private benefit”. Countries are ranked from 0 to 100. The lower the CPI, the more perceived corruption, the higher the number the lower the perceived corruption. The CPI Index for BR-Initiative countries are shown in Tables 1 and 2 (see Appendix).

The Corruption Perception Index is above 50 (see Table 1 in Appendix) for Singapore, Hong Kong, Estonia, United Arab Emirates, Bhutan, Israel, Slovenia, Poland, Lithuania, Czech Republic, Latvia, and Slovakia. These BR-Initiative countries would involve less corruption, and therefore lower transaction cost, in establishing trade agreements and partnerships making the success of BR-Initiative projects much more likely.

The CPI is between 40 and 50 (see Table 1 in Appendix) for Saudi Arabia, Jordan, Croatia, Romania, Malaysia, Hungary, Montenegro, Greece, Bulgaria, Turkey, Kuwait, and India. The lower the CPI, the more perceived corruption and the more difficult and costly trade agreements, partnerships, and BR-Initiative projects which impedes the success of the projects.

The CPI is between 30 and 40 (see Table 1 in Appendix) for Serbia, China, Sri Lanka, Indonesia, Mongolia, Thailand, Philippines, Egypt, Armenia, Vietnam, Pakistan, Ukraine, Nepal, Maldives, and Kazakhstan. These countries are perceived to have significantly high levels of corruption making BR-Initiative projects and agreements extremely costly, difficult to enter into, and difficult to maintain. A high risk of failure of BR-Initiative projects exists in these countries.

The CPI is less than 30 (see Table 1 in Appendix) for Myanmar/Burma (29), Kyrgyzstan (29), Russia (28), Iran (28), Kenya (27), Bangladesh (26), Uzbekistan (23), Iraq (13), and Syria (18). The corruption level in these countries is exorbitantly high as to prevent the success of any BR-Initiative projects.

The Ease of Doing Business Ranking

The Ease of Doing Business Ranking (Ease Rank) is an index published by the World Bank Group, the higher the ranking the easier and simpler it is to do business in that country, indicated by fewer regulations, lower barriers to entry, lower start-up cost, fewer import duties, a better legal system, and well-defined property rights (World Bank, 2019). As state by the World Bank, “economies are ranked on their ease of doing business, from 1–190 where 1 is the highest ranking and 190 is the lowest ranking. A high Ease Rank means the regulatory environment is more conducive to the starting and operation of a local firm.” The Ease Rank for BR-Initiative countries is shown in Tables 1 and 2.

The Ease Rank (see Table 1 in Appendix) is from 1 to 35 for Singapore, Hong Kong, United Arab Emirates, Lithuania, Malaysia, Estonia, Latvia, Thailand, Kazakhstan, Russia, Poland, and Czech Republic. This is an indication that these countries have rules and regulations conducive to establishing trade agreements and partnerships that will help BR-Initiative projects to be successful.

The Ease Rank (see Table 1 in Appendix) is from 40 to 50 for Slovenia, Armenia, Slovakia, Turkey, China, Serbia, Israel, and Montenegro. Some difficulties will occur in
these countries related to establishing trade agreements and partnerships, but BR-Initiative projects should still be viable in these countries. The Ease Rank (see Table 1 in Appendix) is from 50 to 80 for Romania, Hungary, Croatia, Bulgaria, Kenya, Vietnam, Kyrgyzstan, Ukraine, Greece, Indonesia, Mongolia, Uzbekistan, and India. These countries have significant barriers to overcome to establish successful trade and partnership agreements therefore, BR-Initiative projects will be difficult to establish and maintain.

The Ease Rank (see Table 1 in Appendix) is from 80 to 180 for Bhutan (81), Saudi Arabia (92), Kuwait (97), Sri Lanka (100), Jordan (104), Nepal (110), Egypt (120), Philippines (124), Iran (128), Pakistan (136), Maldives (139), Iraq (171), Myanmar/Burma (171), Bangladesh (176), and Syria (179). In these countries it is extremely difficult to do business, establish trade and partnership agreements and be successful in BR-Initiative projects.

The BR-Initiative as a Debt Trap

Parker and Chefitz (2018) identified 23 BR-Initiative partner countries as being vulnerable to debt distress, of which eight are found to be high risk of credit default as a result of the BR-Initiative related financing. Chellaney (2017) accused China of engaging in debt-trap diplomacy by providing funds for poor, wasteful, and unprofitable BR-Initiative projects. As Chellaney says, “countries are becoming ensnared in a debt trap that leaves them vulnerable to China’s influence.” The predatory debt practice makes the borrower financially vulnerable, and can easily results in default by the borrowers, leading to China acquiring control of the resources, acquiring land through concession, and gaining more influence in those countries. Schultz (2017) and Corr (2017) also suggest China is deliberately offering easy credit to finance BR-Initiative projects for the purpose of gaining leverage and power over these countries. Several examples of debt-trap troubled nations include, Sri Lanka, Kenya, Djibouti, Pakistan, Montenegro, Maldives, Laos, Mongolia, Tajikistan, and Kyrgyzstan (Parker and Chefitz, 2018).

In 2017, Sri Lanka (B credit rating) was unable to make its loan payments to Chinese companies financing BR-initiative projects and had to hand over seventy-percent control of the Hambantota port to China (Malhi, 2018). Sri Lanka owed more than USD 8 billion to Chinese banks, with 7% interest, so default was inevitable (Parker and Chefitz, 2018; Malhi, 2018). China now has a ninety-nineteen year lease giving it 70% control of the Hambantota port. Furthermore, Chinese companies seldom hire many local workers and have a reputation for making investments that are not beneficial to the local economy resulting in frequent complaints made by BR-Initiative countries such as Sri Lanka (Parker and Chefitz, 2018; Malhi, 2018).

China may gain control of the port of Mombasa if Kenya defaults on their loan. Kenya has a poor B+ credit rating. Kenya Railways Corporation (KRC) owes USD 2.2 billion to China and is likely to default on the loan giving China control of the port (Huang, 2018). The loan was used to finance the Mombasa-Nairobi railway and KRC is reportedly on the verge of default. In the event of default, the Exim Bank of China will become a principle in the Kenya Port Authority (Huang, 2018).

The United States is concerned that, like in Sri Lanka, China could eventually take control of a key port in Djibouti. It is estimated that Djibouti’s public debt will reach eighty-eight percent of their USD 1.72 billion GDP, with the majority of the funds provided by China (Hurley, Morris, and Portelance, 2018). China Exim Bank holds most of Sri Lanka’s public debt. Djibouti has a very high risk default (Hurley, Morris, and Portelance, 2018). It is certainly possible that China could try to squeeze the US out of its only permanent military base in Africa. The American military base in Djibouti is located only six miles from the
Chinese base, housing close to 4000 troops. There is a real possibility that Djibouti will default on their Chinese loans, resulting in China taking control of the port of Djibouti.

Pakistan (B credit rating) is one of the largest BR-Initiative countries on the verge of debt distress. China has financed more than 80 percent of Pakistan’s BR-Initiative debt and Pakistan is at high risk of default on loans with high interest (Parker and Chefitz, 2018).

Montenegro’s (B credit rating) public debt share is estimated to climb to 83 percent according to World Bank estimates (Parker and Chefitz, 2018). Montenegro borrowed from China’s Exim Bank 85 percent of their one billion USD highway project connecting the Port of Bar with Serbia. The loan is at serious risk of default meaning that to complete the project Montenegro will have to agree to concessional terms and thereby giving China control of the project (Hurley, Morris, and Portelance, 2018).

Maldives (B credit rating) is also in jeopardy of defaulting on their loans. Both the IMF and the World Bank consider Maldives a likely candidate for debt default. There is political and social turmoil in the Maldives and the country is heavily in debt to China for BR-Initiative projects, including upgrading their airport, port relocation, and bridge construction, all costing more than USD 1.2 billion (Hurley, Morris, and Portelance, 2018; Parker and Chefitz, 2018).

In Laos, the biggest BR-Initiative linked project is the China-Laos railway. The USD 6.7 billion railway project is approximately fifty-percent of the GDP of Laos, making it immediately identified by the IMF to be in danger of default and unlikely to be able to service its debt (Parker and Chefitz, 2018; Hurley, Morris, and Portelance, 2018).

Mongolia (B credit rating) is another country identified as a likely candidate for debt default. China Exim Bank provided a USD 1 billion line of credit to finance Mongolia’s hydro-power project, as well as Mongolia’s highway project, with an additional USD 30 billion in loans to be provided for BR-Initiative related projects (Parker and Chefitz, 2018; Hurley, Morris, and Portelance, 2018). The financing provided by China Exim Bank is at concessional rates and the possibility of default is very high (Parker and Chefitz, 2018; Hurley, Morris, and Portelance, 2018).

Tajikistan (B- credit rating) has already been identified by the IMF and the World Bank to be at high risk of debt distress (Parker and Chefitz, 2018; Hurley, Morris, and Portelance, 2018). Tajikistan plans to finance BR-Initiative projects through the use of external debt. China is Tajikistan’s largest creditor, providing more than eighty percent of Tajikistan’s debt to finance BR-Initiative projects (Parker and Chefitz, 2018; Hurley, Morris, and Portelance, 2018).

Kyrgyzstan (B credit rating) has borrowed more than USD 1.5 billion to finance BR-Initiative related projects (Parker and Chefitz, 2018). The 1.5 billion-dollar projects are approximately forty percent of the GDP of Kyrgyzstan and are financed mostly by China Exim Bank and is considered a moderate risk of default by the IMF (Parker and Chefitz, 2018; Hurley, Morris, and Portelance, 2018).

The combination of these potential defaults among a large number of nations cannot be minimized as to their impact, not only on the individual nation, but also on geo-political interactions around the world. The presence of cultural differences once again will create a much more difficult climate from which to solve these issues. As most of these projects listed above involve ports, highways, and various internal projects that are strategically important, not only to that nation, but in combination with the global balance of power and control. It is difficult to imagine that if China begins to control many ports around the trade routes so critical to global trade that there will not also be a political component to this activity that will involve more than the local nation.
The credit rating is AA or better for Singapore, Hong Kong, United Arab Emirates, Kuwait, Czech Republic, Israel, and Estonia. These countries will have no problem financing and repaying any debt incurred to finance BR-Initiative projects.

The credit rating is A for China, Slovenia, Slovakia, Lithuania, Latvia, Saudi Arabia, Malaysia, and Poland. These countries will have few problems financing and repaying debt incurred to finance BR-Initiative projects.

The credit rating is BBB for Thailand, Philippines, Indonesia, India, Russia, Romania, Bulgaria, Kazakhstan, and Hungary. These countries will face problems financing and paying back BR-Initiative loans.

The credit rating is BB for Croatia, Serbia, Bangladesh, Vietnam, Armenia, and Uzbekistan. These countries will face major problems financing and paying back BR-Initiative loans. They are at high risk and high likelihood of default. They are subject to debt trap diplomacy.

The credit rating is B for Kenya, Montenegro, Jordan, Greece, Turkey, Egypt, Sri Lanka, Pakistan, Kyrgyzstan, Maldives, Mongolia, Ukraine, Iraq, and Iran. These countries will face tremendous problems finance BR-Initiative projects. Their poor credit rating puts them at a risk of default, as well as potential victims of debt trap diplomacy.

Cultural factors also impact credit ratings, project financing, and the probability of debt default. Some researchers have found a correlation between debt default, credit ratings, and cultural values. For example, according to Dang and Partington (2016) and Dang (2018), societies with higher IND and a higher LTO have better credit ratings, and are less likely to take on too much debt, or to default on debt. Dang and Partington (2016) and Dang (2018) also find a lower credit rating in countries with higher UA and higher PD and these countries also tend to take on too much debt, therefore, they are more likely to default on their debt. The effect of MAS is not clear; some factors of MAS may lead to a higher debt rating and less default while other characteristics of MAS may lead to higher credit ratings (Dang and Partington, 2016; Dang, 2018).

REGIONAL ANALYSIS OF BR-INITIATIVE USING CULTURAL MODEL

Central Asia

Central Asia will be a critical region to the BR-Initiative. Several of the Belt’s various routes and pipelines run through the region. They pass through Kazakhstan, Uzbekistan, and Kyrgyzstan. The BR-Initiative infrastructure projects will be a boom for Central Asian states as well as Western China. Some have suggested that China is willing to accept losing up to 30% of its BR-Initiative investment in Central Asia (Stronski and Ng, 2018). The gains in those regions should create friendly relations. China expects to gain more influence in the region and mollify radical elements (Rolland, 2017; Summers, 2016; Szczudlik-Tatar, 2013).

There are still major border disputes in Central Asian countries (Zhang, 2015; Horsman, 2018). The countries in Central Asia still have not completely settled border disputes resulting from the break-up of the Soviet Union, and this has even led to some armed conflict on the borders of Tajikistan and Kyrgyzstan, and between Tajikistan and Uzbekistan, as well as between Kyrgyzstan and Uzbekistan (Zhang, 2015; Megoran, 2017). There is also no willingness in the region to share water resources (Zhang, 2015; Horsman, 2018).

From Table 2 (see Appendix), the cultural distance indexes (relative to China) for Kazakhstan, Uzbekistan, and Kyrgyzstan are very high. Kazakhstan has a CD Index of 4.5; Uzbekistan has a CD Index of 4.23; and Kyrgyzstan has a CD Index of 3.53. The cultural differences suggest many problems establishing successful trade agreements with these countries. The Corruption Perceptions Indexes for Kazakhstan, Uzbekistan, and Kyrgyzstan
are very low, also indicating many problems establishing and maintaining trade agreements. From Table 2 (see Appendix), Kazakhstan has a CPI Index of 31; Uzbekistan has a CPI Index of 23 and Kyrgyzstan has a CPI Index of 29. The Ease Rank is very high for Kazakhstan (28), one of the top 30 countries in the world for ease of doing business. Kyrgyzstan’s ranking of 70 and Uzbekistan’s ranking of 76 are both a little low, especially compared to China (46), indicating poor conditions exists for partnerships and BR-Initiative projects in Kyrgyzstan and Uzbekistan. Also, the debt rating for Kyrgyzstan (B) and Uzbekistan (BB-) are both considered very poor and risky with a high chance of default.

China has a Long-term Hofstede score of 87 (see Table 1 in Appendix), indicating that they look to the future, are patient, and take a long term view. In addition, Chinese cultural dimensions indicate that they approach change slowly, carefully exploring new strategies and political methods. Kazakhstan (43), Uzbekistan (38), and Kyrgyzstan (35) have relatively low LTO values, indicating a need to see results from an agreement quickly. This difference could potentially create problems in their partner relationships when undertaking such a big investment in infrastructure where a long-term focus and patience is very important for success. In addition, China has a very high PD score relative to Kazakhstan, Uzbekistan, and Kyrgyzstan, and this could create problems in the management of the projects if the wrong partnership agreement is used. Furthermore, the low IND score for China compared to the Central Asian countries also indicates some issues in the management of these investments. UA scores are more similar, but China is still lower in this dimension than other countries, indicating Chinese investors will be more risk averse than the Central Asian countries.

Generally speaking, Central Asian countries have a limited and narrow understanding of China, and China has a somewhat limited knowledge of Central Asia (Peyrouse, 2016). The countries in Central Asia do not seem to agree on how much influence and impact China actually has in the region (Shahbazov, 2016). The perception of China in Central Asia varies between countries, some have a relatively positive perception of China, while others have a somewhat negative perception. Even though there is some mistrust of China in Central Asia, it can be said that the Central Asian countries are generally supportive of the BR-Initiative. For example, China and Kazakhstan signed a USD 37 billion agreement that is approximately 20 percent of the GDP of Kazakhstan and China and Uzbekistan signed a USD 15 billion contact that is approximately 25 percent of the GDP of Uzbekistan (Hahm and Raihan, 2018).

Because of the close proximity to the massive Chinese market, and the land-locked status of the Central Asia region, many of the Central Asian nations look to China for their sale of resources, plus investment in their local economies mostly in structural building projects. The ability to move products both into and out of these nations is tied to the rail network, which fits their transportation needs, and for which China has designed the BR-Initiative. So, while isolation has been a characteristic of many of these nations, the practical aspects of economic development have forced these nations into a close relationship with China and BR-Initiative.

Even with this practical need for Chinese trade, there are many issues in this trade relationship that can be attributed to the differences in cultural values. For example, Kazakhstan has high IND and high UA, but has low PD and LTO compared to China. Uzbekistan has high IND and high UA, but also has very low PD and LTO compared to China. While Kyrgyzstan’s PD, MAS, and LTO are all low relative to China. These cultural differences can cause different opinions and misunderstanding about contracts, agreements, and financing, which often make it difficult to establish a continual relationship. Those in power, and the privileged elite, generally have a positive perception of China, usually taking a pro-China stance and position, but they are often concerned about becoming overly dependent on China for financing and source of investments, while at the same time, the general public often has a negative perception of China and their economic, political, and
cultural expansion (Burkhanov, 2018; Vakulchuk and Overland, 2018; Lain, 2018; Toktomushev, 2018; Kassenova, 2017; Peyrouse, 2016; Chen, 2015; Laruelle and Peyrouse, 2012).

The anxiety about China has created some “China phobia” in Central Asia, a problem that could easily impede the success of the BR-Initiative (Farchy, 2016; Kassenova, 2017). Three main factors help to explain some of the China phobia that exists in Central Asia. First, even with the recent thawing of relations, Russia has a continued tense and threatening relationship with China that still exists, today coming from the previous Soviet times (Vakulchuk and Overland, 2018). Recent trade deals have established economic ties that appear to have minimized the conflicts somewhat, but past history portends other factors will come into play in defining their relationship. Secondly, the countries of Central Asia have small economies and the dominant level of Chinese trade is seen locally as a potentially negative influential factor in the local political and social structures as well. The dependence in Central Asia upon Chinese trade for economic growth is seen as a potentially difficult situation in the future. Most companies seek to find additional sources for their products beyond the Chinese trade market. The last factor is the recent increase in migrants from China to Central Asia, creating some apprehension by locals who may still have some distrust of Chinese (Jochec and Kyz, 2018; Garibov, 2018). For example, in 2012, Chinese workers in Kyrgyzstan were forced to flee due to violent protest resulting from workplace abuses and damage to the environment caused by Chinese gold mining companies working in Kyrgyzstan (Wu, Logendran, and Wai, 2015). One potentially disruptive element is the growing popular discontent with China’s expanding influence in Central Asia. Two protest rallies held in Bishkek in January 2019 occurred, where demonstrators’ demands included deportation of illegal migrants, restricting citizenship to ethnic Kyrgyz and inspections of companies that employ Chinese labor (Hedlund, 2019). Following the first rally on January 7, the government warned that any attempt by activists to sour the relationship with China would be dealt with sternly (Hedlund, 2019). In addition, Central Asia is generally Muslim, and the close proximity to the Xinjiang region of China could lead some in Central Asia to support those in Xinjiang with the same beliefs, therefore impeding the success of the BR-Initiative.

The powerful elite and politicians in Kazakhstan are supportive of a close relationship with China, but the general public in Kazakhstan has the most unfavorable view of China in Central Asia (Vakulchuk and Overland, 2018; Kassenova, 2017; Farchy, 2016; Vakulchuk, 2014). Uzbekistan has been isolated for many years, due to their late President’s policies, and therefore, the general population has limited understanding, and the knowledge of China. In Uzbekistan, most of the trade activity in the past came from Korea instead of China. Also, Central Asia has been known for corruption, poor government, and incompetence in managing large infrastructure projects, even Chinese entrepreneurs and business people complain about the corruption in Central Asia (Laruelle, 2018; Cooley & Heathershaw, 2017; Toktomushev, 2018).

**Africa, The Middle East, and the Suez Canal**

Generally the African countries are not exactly thrilled with the Maritime Route proposed by China, which touches only a few African cities (Djibouti and Cairo) from near to the entrance of the Suez Canal up to Cairo. A little farther south Kenya is still being considered as a port of call, but South Africa is not included in the Maritime Route and neither are any of the countries in Western Africa. Central Africa will not benefit much either. Djibouti, Egypt, and Somalia will all benefit for the Maritime Route, but the debt-trap has recently snared Djibouti as well as Kenya. Somalia is desperate to become a respectable trading
partner within Africa and is anxious to be part of the BR-Initiative and is still on the list as a possible partner in the plan due to its proximity to Djibouti. For Somalia, another chance like this is not likely to come along for a long time. Somalia must overcome its reputation as a pirate nation and provide China with the needed stability in the region to provide safe entry to the Suez Canal. It appears that China will insist on unencumbered access to the Suez Canal, one way or another.

Egypt’s cultural distance is 1.42 (see table 2), therefore the cultural distance is not a serious problem. Egypt’s IND (25), PD (79), and MAS (45) are similar to China, but Egypt’s UA is very high and their LTO (8) is extremely low compared to China. Egypt’s CPI (35) implies corruption is a big problem, their Ease Rank is very poor at 120, and their debt rating is a high risk B. These factors make Egypt a poor choice for trade agreements and partnerships for BR-Initiative projects.

Kenya’s low cultural distance (0.252) with China makes trade much easier, compared to other counties with high cultural distance. Kenya has similar IND (25), PD (70), and MAS (60). Kenya’s UA (30) is a little lower than China, but not enough to cause much concern. Kenya has a poor CPI (27) and a poor debt rating (B+), however, the Ease Rank (61) is fairly good. These factors make Kenya a fairly good choice for trade agreements and partnership for BR-Initiative projects.

The Middle East and North East Africa joins together the Economic Belt and the Maritime Road, connecting Europe and Africa with Asia, and therefore is vital to the success of the BR-Initiative (Kamel, 2018). The area is critical to the flow of oil, and any disruption in the sea lanes would cause havoc in the oil markets as well as other trade and shipping that goes through this area (Len, 2015). China is heavily dependent on foreign oil, importing more than any other country in the world. China gets most of its oil from the Middle East. China imports more than six-million barrels of oil every day (The Economist, 2015; Kamel, 2018). China’s oil imports and China’s exports to Europe must pass through the Strait of Bab-al-Mandab, the Suez Canal, and the Strait of Hormuz, so the BR-Initiative cannot succeed without cooperation and access to these shipping lanes (Braude and Jiang, 2017; Cordesman, 2016; Kamel, 2018). A significant and noteworthy feature of the Maritime BR-Initiative is the fact that Saudi Arabia will benefit enormously (as well as Egypt and Djibouti) from the successful completion of that Maritime Route (Kamel, 2018). Saudi Arabia, the leader of the Arab world, will be able to ship its oil in both directions at the same time, without having to build any additional significant infrastructure. That means that it will be able to supply both Europe and Asia with several million more tons of oil with ease due to the convenience and expediency of the Maritime Route.

Many countries participating in the Maritime Route will be able to pick up several million tons of oil on their way back thru the Suez Canal and deliver them to their points of origin as well. Ships and other vessels in the area will be well-protected from Somalia marauders and pirates because China’s military presence in the region should ensure that protection. China’s only military base outside of China is located in Africa on the planned Maritime Route in the port city of Doraleh, Djibouti. China plans to establish an expansive free trade zone in Djibouti to be operated by jointly by China Merchants Holding and Dalian Port Corporation (Reuters, 2017; Kamel, 2018). Doraleh is right on the border of Somalia, strategically located on the horn of Africa near to the entrance of the Red Sea, and therefore very convenient to the entrance of the Suez Canal. Djibouti will become a Naval and commercial port hub for the Chinese plan. Any interference by Somali marauders or pirates will be met with great retaliation; not only by China, but by U.S. and French forces, which are also stationed at Djibouti. The certainty of an instant and harsh retribution by these three substantial powers will probably be enough to deter Somali pirates. In addition, the Somalian government is
trying to reign in these insurgents and the renegade lawless portion of their population, so they can capitalize on the BR-Initiative as well.

The Djibouti location actually could be an advantage for the United States, as it could be one of the few points of access for the U.S. to become included in the Maritime BR-Initiative plan. The U.S. would be wise to follow up on this opportunity. Additionally, Somalia has made an effort to revitalize their domestic economy. Years of civil war have devastated the nation. Recently, the Somalia government has launched initiatives to eliminate the threat from Somalian pirates and bandits. The government has put a lot more pressure on Somalian insurgents and extremist, hoping to drive these disruptive elements out and create a more peaceful nation, not because they have suddenly found an international conscience, but because they do not want to be left out of the BR-Initiative process (Voice of America, 2009). There are millions to be made by Somalia as a refueling station and/or storage area and it is a key element of the Maritime Route.

Djibouti scored 31 points out of 100 on the 2018 Corruption Perceptions Index. The Ease Rank improved from 154 in 2018 to 99 in 2019. Both the CPI and the Ease Rank indicate a difficult environment for doing business. Somalia’s CPI is 10, and is the most corrupt country in the world. Djibouti’s Ease Rank Index is 190, the worst in the world. This severely limits, probably even prohibits, the chance of successful BR-Initiative projects or establishing long-term partners in Djibouti.

Saudi Arabia’s CPI (49) is a little worse than China’s (39), but not too much to cause concern. Saudi Arabia’s Ease Rank (92) indicates some difficulty doing business related to laws, rules, and regulations. Saudi Arabia’s cultural distance Index (1.25) is very low, making trade and partnerships with China much easier, one issue is the big difference in UA. Saudi Arabia has a very high UA (80) compared to China (30) which could lead to misunderstanding and frustration due to the documentary burden that exists in high UA cultures.

Southeast Asia and East Asia

Southeast Asia countries are generally in favor of the BR-Initiative proposed by China (Wang and Lu, 2016; Deepak, 2018). Countries in Southeast Asia generally believe that the massive infrastructure investment will create jobs and stimulate their economies (Wang and Lu, 2016). In the case of Singapore, they have a strong economy and highly developed infrastructure. Singapore is supportive of the plan, certainly they are poised to play a significant role in the BR-Initiative (Mayer, 2018). Singapore has expertise, experience, and know-how in shipping, financing, and logistics that will be invaluable to the BR-Initiative (Lim, 2017; Mayer, 2018). The cultural distance between Singapore (0.4011) and China is very small. Singapore and China are very close in IND, PD, and MAS, but Singapore’s UA and LTO are a lot lower than China. Singapore’s CPI (85) is a very high rank indicating corruption is not a problem and the Ease Rank is 2, meaning it is extremely easy to do business in Singapore.

Until recently, Malaysia has been a very strong supporter of the BR-Initiative and has been a significant trading partner with China for years (Teoh, 2017). However, Malaysia’s Prime Minister, Mohamad Mahathir, described the BR-Initiative as colonialism (Mishra, 2018). Prime Minister Mahathir lived through the Japanese occupation of Malaysia and still vividly remembers the Japanese initiative called the co-prosperity sphere (Mishra, 2018). Malaysia recently cancelled USD 3 billion worth of BR-Initiative pipeline projects, and suspended a further USD 20 billion, as the new government of Prime Minister Mahathir investigates the financing terms (Mishra, 2018). The cultural distance between Malaysia and China is also very small (0.354). Malaysia and China are very close in IND, UA and MAS,
but Malaysia’s PD is a lot higher than China, and Malaysia’s LTO is a little lower than China. Malaysia’s CPI (47) is a moderately low rank indicating some corruption exists, while the Ease Rank is 15 is considered good for doing business in Malaysia.

The Southeast Asia routes will definitely travel through Vietnam, it means that cooperation will be necessary to be included in the BR-Initiative. All other countries in Southeast Asia will have to cooperate with Vietnam, or risk being left out of the Maritime Route, and most likely, the Southern Overland Route as well. As the cultural aspects are very similar in the Southeast Asian nations, that should not present a problem, however, unstable governments, national corruption and fear of Chinese dominance is very much a part of the history of all of these nations. Fortunately, Vietnam and China have similar cultural values which will make the success of the BR-Initiative more likely. The cultural distance between Vietnam and China is very small (0.385). Vietnam and China are very close in all the cultural dimension. Only the MAS (50) in Vietnam is a little lower than China’s MAS (66). CPI (33) is low in Vietnam indicating some corruption exists, while the Ease Rank is 69, a little poor for doing business in Vietnam.

Both the Land Route and the Maritime Route are critically important for the success of the plan (Deepak, 2018). Vietnam will have the most beneficial location in Southeast Asia for the Maritime Route, all other countries would be well-advised to cooperate with them. As for implementation of the Southern Overland Route, it would take a great deal of infrastructure building of high-speed rail to make that possible. Any construction of infrastructure required to build high-speed rail would obviously need to be done in Vietnam first so that goods from Southwestern Chinese cities, such as Kunming, would arrive in Vietnam to be shipped from Hanoi in the north and Ho Chi Minh City in the south. China will try to include those left out by the overland route as a part of the Maritime Route, however, they can expect criticism from all the Southeast Asian countries. There is a long history (1000 years) of Chinese control of Vietnam, followed by control by Western nations, resulting in Vietnam developing a very nervous view of any foreign nation that has too much influence upon the internal economy and their political system. This has become a huge debate within economic and political circles inside Vietnam. At what level is Chinese investment okay and at what level will it become disruptive? While their cultural values are similar, which provides a platform for understanding, history is a very powerful influence in Vietnam.

Certain factions in the South China Sea have the possibility to derail or impair the BR-Initiative even with countries, such as the Philippines and Vietnam, being very supportive of the plan (Yu, 2017; Deepak, 2018). The Philippines and China have some territorial disagreements which have hindered some of the discussions and support for the BR-Initiative.

The Philippines cultural distance (0.274) is very low. The Philippines cultural values are very similar to China making trade and partnership agreements much easier. They have a fairly good credit rating (BBB+), however, the CPI (36) is poor and the Ease Rank (124) is also poor making trade and partnership a little more difficult. Indonesia sees the BR-Initiative as an enormous opportunity for their economic development with billions promised for infrastructure (Siniwi and Yuniarti, 2016). Indonesia’s low cultural distance (0.39) with China is a good indicator of their ability to work well with China. Indonesia’s CPI (38) is similar to China while Indonesia’s Ease Rank 73 is a little worse, while their credit rating is BBB-. These factors indicate Indonesia should be able to work fairly well with China. Contracts between China and Thailand have already been completed to build the high-speed train for the BR-Initiative. Thailand’s cultural distance (1.14) is between 1 and 2 and therefore some difficulties due to these differences are likely. Thailand’s IND (20) and PD (64) are similar to China but Thailand’s UA (64) is a lot higher and their MAS (34) and LTO (32) are a lot lower.
Myanmar’s government has suspended the BR-Initiative funded port in Kyaukpyu. Myanmar’s government has insisted that it be reduced in size by eighty-percent. Myanmar’s high cultural distance (4.21) indicates a lot of problems establishing and maintaining trade agreements and partnerships. Myanmar’s PD (26), MAS (24), and LTO (46) are low and their UA (89) is very high compared to China, which could lead to misunderstanding and frustration due to the documentary burden that exists in high UA. In addition, Myanmar’s CPI (29) is very low indicating corruption is a major problem and their Ease Rank (171) is extremely poor suggesting major difficulties conducting business and maintaining agreements and partnerships.

Indian Subcontinent: India, Pakistan, Nepal, Bangladesh, Sri Lanka, Maldives

The China-Pakistan corridor has caused unresolved conflict between India and China. India is one of the main opponents of the BR-Initiative, while Pakistan, until recently, has been one of the main supporters, but some groups in Pakistan have expressed opposition since the BR-Initiative is set to pass through disputed territory.

India’s cultural distance (0.776) is less than one, indicating similar cultural values. India’s IND (48) is a little higher and its LTO (61) is a little lower, but the other cultural values are similar to China. India’s CPI (41) is similar to China, but India’s Ease Rank (77) is a little worse. India is extremely suspicious of the BR-Initiative as a tool to tilt the regional balance of power in China’s favor (Blah, 2018). India considers Kashmir as its sovereign territory. India is furious about the BR-Initiative route through Kashmir because India considers Pakistan as occupying Kashmir (Blah, 2018; Ganguly, Smetana, Abdullah, and Karmazin, 2018; Jacob, 2017).

The main concerns voiced by India include:

- The China-Indian border dispute (Ganguly, Smetana, Abdullah, and Karmazin, 2018; Jacob, 2017).
- The BR-Initiative’s one sided management approach and lack of involvement of stakeholders (Blah, 2018; Smith, 2018).
- China’s unstated strategic desire for economic and political power through BR-Initiative investments (Blah, 2018; Smith, 2018).
- Environmental concerns of the BR-Initiative investments (Blah, 2018; Smith, 2018).
- Debt trap diplomacy leading to geopolitical subservience (Blah, 2018; Smith, 2018).

Pakistan’s cultural distance (1.08) is a little more than one, indicating slightly different cultural values compared to China. Pakistan’s IND (14), PD (55), MAS (50) and LTO (50) are lower than China, but Pakistan’s UA (70) is a lot higher than for China (30) indicating paperwork difficulties and documentary burdens. Pakistan has a low CPI (33) indicating a problem with corruption exists. Pakistan’s Ease Rank (136) is very poor creating many problems completing BR-Initiative projects, establishing and maintaining trade agreements. In addition, Pakistani’s credit rating (B) indicates many problems paying back loans and managing credit. Pakistan has insisted China cancel, stop, delay, or completely revise several projects that are in progress. Also, violent opposition has occurred in Western Pakistan, and Baluchi separatists who oppose Chinese investments see it as a threat to their desire for independence, even attacking the Chinese consulate in Karachi. The Chinese government had expected the BR-Initiative in Pakistan to improve relations on the border between China and Pakistan, but just the opposite has occurred.

Maldives cultural distance (4.24) is very high indicating many problems are likely achieving success with BR-Initiative projects and establishing and maintaining trade agreements.
agreements. Maldives IND (77) is very high and their UA (56) is high compared to China. PD (25), MAS (45), and LTO (44) are all lower than China. Maldives CPI (31) is very low, their Ease Rank (139) is very poor, and their credit ranking (B) is bad, all indicating many difficulties and problems for the relationship between China and Maldives. In the Republic of Maldives, Ibrahim Mohamed Solih defeated the Chinese backed Abdulla Yameen for President in the 2018 election. Mr. Solih and the opposition alliance won based on their opposition to the BR-Initiative. Mr. Solih insist that the BR-Initiative must be rejected and he refers to the BR-Initiative as a big cheat and debt trap.

Sri Lanka has also been experiencing opposition to the BR-Initiative leading to political instability for President Maithripala Sirisena. Sri Lanka’s cultural distance (1.943) is nearly 2 with IND (35) and UA (45) a little higher than China. Sri Lanka’s PD (80) is the same as China. Sri Lanka’s MAS (10) and LTO (45) significantly lower than China. The low CPI (38) would cause many problems with BR-Initiative projects and the rather poor Ease Rank (100) would also be an obstacle for trade agreements. In addition, Sri Lanka’s credit rating (B) is very poor.

The Chinese construction firm most heavily involved with BR-Initiative in the region, China Harbor Engineering, faces corruption allegations in Bangladesh, and has been banned by the Bangladesh government. Nepal (0.554) and Bangladesh (0.4729) have very little cultural distance with China. Nepal has lower PD (65) and lower MAS (40) but higher IND (30) and very similar UA (40). Bangladesh has the same IND (20) and the same PD (80) as China. Bangladesh has higher UA (60) and lower MAS (55) and LTO (47). Nepal (31) and Bangladesh (26) both have very poor CPI ratings suggesting corruption is a major problem. The Ease Rank in Nepal (110) is very poor and Bangladesh (176) has an Ease Rank that puts it as one of the worst in the world. Bangladesh’s credit ranking (BB-) is not good creating high default risk. There is no credit rating available for Nepal. There is a very high chance of failure in both Nepal and Bangladesh given these values. Nepal has also insisted China cancel, stop, delay, or completely revise several projects that are in progress.

Iran and Turkey

Two very serious, potential problems, present themselves for China; Iran and Turkey. Iran, from the Chinese point of view, presents less of a problem according to the Rand Organization, a highly-regarded U.S. think-tank and as quoted by Harold and Nader, (2012) of the Rand Organization; “The foundations of the economic partnership between Iran and China are Iran's abundant energy resources and China's growing energy needs, but China is not overwhelmingly dependent on the Islamic Republic for its energy needs; in contrast, the Iranian regime now depends on China as its chief diplomatic protector.” One could easily infer from this opinion that Iran and China are more likely than not to cooperate on the BR-Initiative. Iran’s cultural distance (1.18515) is above one, therefore some cultural distance is present, but probably not enough to cause many problems. However, continuing the BR-Initiative thru Iran may run into a few problems. Iran has an extremely low LTO (14) compared to China (87), so if results do not occur quickly, this cultural values would indicate trouble for the BR-Initiative projects. Iran also has a slightly lower PD (58) value compared to China (80). However, Iran may be left out due to the recent turmoil and conflict in the area and the sanctions imposed by the United States.

Of all the countries involved in the BR-Initiative, Turkey and China appear to be the two that will profit the most from the endeavor. So, from the Turkish perspective, it is essential that Turkey smooth the path for the BR-Initiative from one end of Turkey to the other. It will be in the best interests of the Turkish economy for the initiative to succeed.
The cultural values for Turkey and China are not exactly equal, but they are reasonably close, so that they should be able to work together to achieve success in BR-Initiative projects. Turkey’s IND of 37 is a little high, compared to China’s value of 20, and Turkey’s MAS value is a little lower than China, while Turkey’s UA is a lot higher, suggesting the documentary burden could be an issue. If the cultural values were more similar it would be easier to reach agreement and manage BR-Initiative projects with Turkey, but there are enough difference that could indicate some difficulties if compromise is not reached. The cultural distance index shows Turkey is moderately high and the CPI and Ease Rank are very similar to China. Iran’s cultural distance is lower which suggest Iran and China can work together but the Ease Rank in Iran has a very low rank of 128 and extremely low CPI indicating extreme corruption and exceedingly difficult to do business in Iran.

The logistics and distribution of goods in Turkey will be a key factor in China’s decisions, as well as for Turkey. As Turkey, for centuries, has been the gateway in both the East and the West for trade, becoming a key player in trade is certainly a positive factor. But, Turkey is not a final destination for most products, but rather a gateway in both directions, understanding the trade routes to Europe provides a more complex view of Turkey’s role in the Chinese plans as well.

**Europe**

The BR-Initiative is a golden opportunity for European countries that are in economic and financial distress. The BR-Initiative can help to significantly strengthen their economies and improve their fiscal situation. If the Southern Trade Route via high-speed rail is successful, several countries will benefit greatly. If both the Southern Trade Route and the Maritime Route succeed, then you might actually see a change in the face of power in Europe.

Greece is in economic trouble, its economic prospects without the BR-Initiative are bleak (World Bank, 2017). It desperately needs this Chinese initiative to work, in order to resuscitate itself economically. Recent actions at the UN indicate that Greece realizes what is at stake here for them with the BR-Initiative. Fortunately, for Greece, China strongly supports the Greek proposal to be included in the Maritime Route (Embassy of Greece in Beijing, 2017). The Chinese support for Greece is not unexpected and it has laid the foundation for China-Greece cooperation on the BR-Initiative. The initiative is in the interest of both countries and is extremely critical for Greece.

However, an extremely important investment in the European Union is the Greece Port of Piraeus (Fardella and Prodi, 2017; Wang, Ruet, and Richet, 2017). There has been some backlash and resistance regarding Chinese investment in Greece that is similar to what has occurred in Sri Lanka, Myanmar, Malaysia, Kenya, Djibouti, Kazakhstan, Kyrgyzstan, and Uzbekistan. China is viewed as taking over traditional Greek-owned industries causing resentment and opposition in Greece (Fardella and Prodi, 2017; Wang, Ruet, and Richet, 2017). For example, China took a majority stake control of the Port of Piraeus (Fardella and Prodi, 2017; Wang, et al., 2017) resulting in some concern by Greeks.

The cultural distance (see Table 1 in Appendix) for Greece is 2.59 indicating cultural values that are significantly different than China, which will likely impair and impede trade agreements and partnerships necessary for success of the BR-Initiative. Greece has a very poor credit rating (B+). Greece’s CPI (45) and Ease Index (45) suggests corruption and trade barriers will make trade more costly and difficult to maintain. Greece has similar IND (35), PD (60), and MAS (57), but their UA (100) is extremely high and their LTO (45) is low compared to China. The high UA and low LTO means Greece and China will have difficulties if the BR-Initiative projects do not produce results quickly, in addition trade
agreements and partnerships will be encumbered by official red-tape, strict rules, and the documentary burden.

A possible distribution route to the EU could be via the Overland or Maritime Route. A direct trade route from Turkey to Bulgaria will provide a more secure and direct access to the European market. Travelling north from Turkey creates a weather component for several months a year that a route through Bulgaria does not. Also, the geo-political aspects are much less, as both Turkey and Bulgaria are a part of the EU, making the movement of goods much easier and at less cost. Bulgaria’s cultural distance (4.57) (see Table 1 in Appendix) means that their cultural values are drastically different than China, indicating extreme difficulty in establishing trade agreements, creating partnerships, and working well together on BR-Initiative projects. The success of BR-Initiative projects in Bulgaria is highly unlikely. Bulgaria’s credit rating (BBB+) is considered investment grade. Bulgaria’s CPI (45) and Ease Index (59) suggests corruption and trade barriers will make trade a little more costly and somewhat difficult to maintain. None of Bulgaria’s cultural values are similar to China. Bulgaria’s PD (13) and LTO (49) are extremely low compared to China, and Bulgaria’s UA (101) is extremely high compared to China all indicating significant problems establishing and maintaining BR-Initiative projects.

The United States, South American, and Central America

Potentially, the biggest detractors of the BR-Initiative in the future might be the United States and most of South and Central America. Geographically, South America could link up with the Maritime Route by shipping from Brazil to the West Coast of Africa, and then have goods go back and forth from Djibouti or Cairo. This would be a risky and time-consuming venture, at best. Most likely Central and South American nations will be left out of the BR-Initiative because of their geographic location, unless China seeks to control the vast resources that are needed in their national economy. If this becomes vital to Chinese interests, then this region would be added to the BR-Initiative. China already has an increasing level of trade throughout this region. A Chinese company is financing a second canal in Nicaragua that would compete with the Panama Canal. China has built a new port in Fortaleza Brazil to export iron ore as well. Brazil has expanded sales of both agricultural products and mineral resources so that China has become its largest trading partner. All of these items indicate a large interest by China in this vast region. The cultural values in this region are vastly different from those of China which can certainly create future issues that will not be easy to resolve. Often, within this region, cultural differences create problems between these nations, so it is almost certain that future problems will emerge that can be a large threat.

The implementation of the BR-Initiative will eventually become unsettling for the United States if it is even moderately successful. The U.S. will most likely interpret the project as a direct threat to their economic spheres of influence. As China expands its control over time, there will certainly be political changes toward the U.S. and the role that is played in this region. While China seeks to minimize the American influence in Asia, so perhaps will America seek to minimize China’s role in Central and South America.

Assuming the Chinese BR-Initiative is successful, the United States will be forced to come up with an economic plan of their own that will counter the Chinese plan, so far, they have not come up with very much, and prospects for the U.S. countering the Chinese BR-Initiative remain slim, at best. On October 5, 2018, President Trump signed into law the “Better Utilization of Investment Leading to Development Act,” (known as the BUILD Act of 2018). The BUILD Act of 2018 is an attempt to try and respond to the BR-Initiative. “The BUILD Act established the United States International Development Finance Corporation to
facilitate the participation of private sector capital and skills in the economic development of countries with low- or lower-middle-income economies and countries transitioning from nonmarket to market economies in order to complement U.S. assistance and foreign policy objectives.” (The BUILD Act of 2018). The International Development Finance Corporation is authorized to make loans, charge service fees, provide guarantees for loans, issue obligations; become a limited equity investor; oversee special projects; and establish enterprise funds (The BUILD Act of 2018). In fact, the U.S. President Trump is the first foreign leader who is applying pressure on China by challenging China’s military adventurism in the region and challenging China’s unilateral tariff policies (Xinhua 2017).

Currently, the role of the United States in the BR-Initiative seems limited. However, the United States is sure to try to devise something to combat the potential negative effects of both the Overland Trade Route and the Maritime Routes on American trade, but that would require a great deal more effort into professional research and analysis than the U.S. has demonstrated so far.

CONCLUSION: A FINAL ANALYSIS

Foremost among all influences beyond the actual trade itself are the various threats that trade can create when dominated by China. Nations are always conscious of foreign control inside their country, but this level of trade and control has not been present in modern times. While each nation has their own unique issues toward what the BR-Initiative will bring, there are several overriding factors that virtually all nations will be confronted with both during the build out stage and implementation stage. Cultural differences will exasperate the problems this can create and these differences cannot be ignored or minimized. Countries with similar cultures and smaller cultural differences should find it easier to establish trade agreements, maintain partnerships, and succeed in BR-Initiative projects. Countries with vastly different cultural values and larger cultural differences will find it much more difficult to establish trade agreements, maintain partnerships, and succeed in BR-Initiative projects.

The resurrection of the ancient Silk Road with the BR-Initiative is an ingenious move by China that illustrates China’s ability for long-term strategic thinking and their vision for the future. The BR-Initiative is a visionary, grand strategy (Clarke, 2017) to gain both economic and political power in the world. Even if the BR-Initiative is only a moderate, or even minimal success, it will still be a great achievement. It will assure China’s dominant role in the world economy for many years to come. How various countries will respond to either the success or failure of over time will determine both the economic and geo-political changes that are certain to happen. The variety of cultural dimensions present in these nations will also influence dramatically this response. It cannot be over-emphasized that there is this influence and needs to be taken into consideration as a major factor beyond the economics of trade.

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APPENDIX

Figure 1: Map of China’s Proposed Major BR-Initiatives (source: China Daily News and Hong Kong Trade Development Council).

Figure 2: A Map of the proposed Overland Route: courtesy China Daily.
### Table 1: Cultural Values and Cultural Distance

<table>
<thead>
<tr>
<th>Country</th>
<th>IND</th>
<th>PD</th>
<th>UA</th>
<th>MAS</th>
<th>LTO</th>
<th>Cultural Distance</th>
<th>Ease Rank</th>
<th>CPI</th>
<th>Debt Rating</th>
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Cultural value results sourced from study done by Bradley (2003).

**Sourced from Hofstede, Hofstede, and Minkov (2010).

***Sourced from Sadiq (2011).

****Sourced from Rarick and Nickerson (2006).

*****Sourced from Rarick, Winter, Barczyk, Pruett, and Nickerson (2014).


2Corruption Perception Index 2018, Sourced from Transparency International.

3Sourced from S&P Global Ratings

### Table 2: Cultural Values of Central Asian Countries Compared to China

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<th>Country</th>
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<th>MAS</th>
<th>LTO</th>
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Cultural value results sourced from study done by Bradley (2003).

**Sourced from Hofstede, Hofstede, and Minkov (2010).


2Corruption Perception Index 2018, Sourced from Transparency International.

3Sourced from S&P Global Ratings.