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Does Institutional Distance Matter? A Meta-Analytic Review of the China's Trade with the Belt & Road

Kankanam Pathiranage Heshan Sameera*

Department of Economics and Management, Chengdu Sport University, Chengdu, China

***Corresponding author:** Kankanam Pathiranage HS, Department of Economics and Management, Chengdu Sport University, Chengdu, China; E-mail: heshan.sameera@gmail.com ; ORCID: 0000-0002-1727-6092

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Abstract

The quality and quantity of international trade has been linked not only to tariffs and transport costs but also to institutional and cultural distance. This meta-analytic review was carried out to establish the extent to which institutional distance influences international trade, with a special focus being directed to the case of the recently conceived Belt and Road Initiative. The analysis would therefore determine which aspects of institutional distance are most highly predictive, and which artifacts may moderate the correlation. Data were extracted on several international trade characteristics including bilateral trade and the ongoing implementation, and the financial implications of the Belt and Road Initiative. Across 70 studies (150,413) there was an analysis for the MARA and HOMA mechanisms. In the research analysis, the findings were that 1.50 was the significant aspect. It led to (95% significance) indicating a stronger correlation between institutional distance and international trade. This finding varied slightly across different aspects of institutional distance including the mode of entry and mode of establishment, but the overall results showed a greater consistency in culture distance across all the articles under review. The association was strongest for the aspect of the benefits of international trade (mean effect size .15, p =0.00) and lowest for location of trade (mean effect size =.10, p=.03). These findings drove us to the conclusion that institutional distance determines the quality and quantity of international trade between any two countries.

Keywords: Institutional distance; International trade; Meta-analysis; Belt and road Initiative

Introduction

As early as 1999, Kostava and Zaheer had reviewed a recently developed construct of institutional distance in efforts to identify a framework explaining investment behaviours by multinational enterprises [1]. Also termed as cross-country differences, institutional distance is considered as the ultimate concept that explains the dynamics of foreign direct investments among international organizations [2]. Institutional distance references the difference between the national institutional regulations of the home country [3], for instance, China, and those of the host economies in which foreign investment is channelled [4,5]. It is the measure of the extent to which normative foreign forces [1] influence the activities of foreign direct investments. In simplified terms, institutional distance is defined as the extent of similarity or dissimilarity between the trade institutions in foreign countries (that is, the destination countries for direct investment away from China) and those in the home country [2].

A majority of completed research on the determinants of international trade have analyzed observable trade costs such as tariffs and transportation [6-10]. However, some recent pieces of literature have extended to cover more than the observed determinants of a trade by analysing unobserved barriers to trade [11,12]. In the aftermath of globalization and the subsequent growth of e-commerce, unobserved costs of potential trade have been a matter of interest among business scholars and economists [11-16], the main reason being their potential to impede both trade flows and trade efficiency [16]. To understand the concept of trade efficiency, both potential trade and actual trade must be reviewed [17,18]. Potential trade is the maximum conceivable trade, characterized by maximum frontier and relatively frictionless flow of services or resources [18]. Contrast to potential trade is the

actual trade, which describes the existing level of trade as defined by known restrictions and institutions [19]. Trade efficiency is the ratio between potential trade and the actual trade [19]. The trade inefficiency is, in more elaborate terms, equivalent to the unexhausted elements of trade that can be exploited to yield more returns [19].

Business actors looking to translate the trade potential to actual performance must work towards increasing trade efficiency [19]. It is achieved by identifying the determinants of trade efficiency and trying to align the business strategy with these determinants. Apparently, unobserved trade costs alone do not determine trade inefficiency because they cannot solely explain international trade flows; rather, unobserved costs stemming from institutional barriers or cultural barriers must also be factored in [12]. In abridged terms, institutional distance is one of the unobserved barriers to trade potential. Such unobserved barriers to trade confer asymmetric or incomplete information, and sometimes uncertainty to businesses [12]. The quality of a foreign country's institutional governance and formal institutions, for instance, and the formal legal environment that formulates economic policies, largely defines the dynamics of trade within such a country [2]. The effectiveness of the formal rules governing a country's business environment, or their relative ineffectiveness thereof [4], dictates inter-personal trust and consumer behaviour, all of which are vital factors for the success of international trade. The style in which the formal institutions enforce property rights and adhere to trade contracts with foreign partners vary significantly across countries, and these differences can often create environments of uncertainty or friction and conflicts between trading partners [5]. Importantly, all international transactions are bound to occur across jurisdictional boundaries, which brings in the aspect of institutional differences and magnifies the difficulty in enforcing trade contracts in international fronts as compared to the domestic markets.

Therefore, firms ought to pull together all the information about foreign markets, especially the variables such as governance quality levels. The information that these firms ought to pull together involves the all trade cost information. Dealing with all trade cost information ensures that the firms understand how foreign markets operate and penetration into the foreign market. The all cost information allows for proper strategies and penetration into the foreign market. Furthermore, there is a need to address the governance information to understand the available regulations and how to handle these regulations in the business market. Firms must recognize that poorly developed institutions carry with them very negative externalities for commercial exchanges, thereby limiting trade across international boundaries [6]. If the trade is not supported by effective and impartial government regulations, then countries may not frequently engage in more international exchanges [7]. It is, therefore, argued that the similarities in institutions surrounding an exporter and an importer directly impact the level of trade between any two countries.

The introduction sections provides the ideas and thoughts that are to be discussed in the research study. In order to generate these findings appropriately, then there is a need to work on research questions that give the right sense of direction to gain information about institutional distance and the performance of the BRI in China. The following research questions support the above paragraphs in the introduction section discussion and they highlight mechanisms that can be used in collecting valid information to use in the research study.

Research question

- Does institutional distance matter in the performance of China Belt and Road Initiative?
- What are some of the culture challenges that countries along the BRI route faces?
- What are the examples of mechanisms that can be applied to overcome these challenges along the BRI route?

Motivations of the study (Scientific motivations of the study)

This analysis is motivated by a surplus of literature on the location choice of investments by companies operating on the international front. These works of literature have shown mixed results in terms of the link between institutional distance and the success of multinational enterprises. The differences in institutional governance between countries have been perceived as potential obstacles to the choices of entry and overall business operations. Specifically, the differences limit a company's ability to obtain and integrate local knowledge that would be useful in managing a company's foreign subsidiaries. This barrier causes confusion amongst multinational companies, which are, in most cases, stuck between choosing countries with better institutional distances but with no sufficient resources, or to opt for very resourceful countries but with worse institutions. Conversely, China's foreign direct investors are always less likely to avoid the risk of institutional distance; they are more likely to be attracted to high natural resources, even in very politically risky countries [31]. A majority of these companies prefer the latter case on the justification that despite the fact that greater institutional distance discourages foreign direct investment inflows, the influence is reduced by the plenty of resources available for generating profits. On the surface, BRI appears as a normal investment assortment seeking to eliminate trade frictions such as tariffs and transport costs. It is readily conceivable that the development of better hard infrastructure with neighbouring states reduces transport costs and transport times. It is also evident that the establishment of soft infrastructure will expand the range of goods to be traded due to reduced trade restrictions. The resulting overland economic connectivity will boost growth in China because China has a huge reserve of savings that are not currently being put in constructive

use. Making large-scale investments overseas using this amount of money, especially in financing infrastructural projects, gives China the opportunity to export its financial largesse and enable its state-owned enterprises to work on the international front. These and other outward implications of the BRI are explicitly acknowledged in China's official BRI proposal. However, the impact of the BRI on foreign institutions are less publicly articulated. Hence, these are the gaps and the motivations that have led to the research study and investigation of institutional distance and China's BRI.

Focus of the research study

The main focus of the research study is the China Belt and Road initiative. It is a project that was initiated in China with the aim of improving on the economy, achieving sustainability and also improve on infrastructure along the region. Interestingly, the BRI participating economies are strong and give a representation of more than a third of the entire global economy in terms of the GDO. Further, it also represents more than half of the world's population in GDP. Infrastructure is a key requirement when dealing with BRI but China indicates that the objectives of BRI supersedes the infrastructure requirements.

Literature Review

Institutional distance and bilateral trade

This review has been informed by a compilation of completed research on the effects of institutional distance on bilateral trade. Most economists view the institutional gap as a key ingredient in economic sustenance. This notion is expressed especially by the belief that good institutions attract foreign investments and encourage a good flow of resources while institutions with a poor quality cause friction in the flow of trade. In 2012, Ferr ini observed that the history of a region influences the nature of its political institutions, which in turn determines the economic success of the region [20]. Additional empirical pieces of evidence further confirm that the precedence of institutions over integration and geography results in deep growth [21], indicating that institutions are key elements in defining the long-run of cross-regional trade flows. Economies that have realized this have, in various platforms, opened up their markets to encourage the flow of business ideas for robust economic growth; achieving this by making their institutional policies as flexible and investor-friendly as possible [21].

When looked at from the perspective of bilateral trade, an institution often has a multi-faceted definition [22]. This vagueness in the definition stems from the fact that even the concept of good governance, which defines the quality of an institution, is seen by scholars as multifaceted [22]. In one view, economists view institutions as the units responsible for establishing the 'rules of the game' for a particular society or, in the simplified term as provided by North in 1990- the formal and informal restrictions that define the nature of political, economic, and social interactions in a society [22]. Under this first perception, scholars view 'good institutions' as those which establish incentive structures to reduce uncertainty and build efficiency in bilateral trade [22]. Hence, good institutions end up promoting economic growth. On the other end of the multifaceted spectrum, is a more specific shape to the broad concept of institutions. The definition terms institutions as particular organizations, entities, regulatory bodies, or procedural devices that affect the flow of trade by primarily creating and implementing better policy choices [21]. Regardless of the dual perspective on what really constitutes institutions, there is a point of consensus on the primary significance of these institutions. The consensus is that institutions are different both in how they are run and their relative impacts; these differences shape the varying levels of productivity between companies, organizations, and even regions, thereby determining the trade volumes and the patterns of trade flows. This is a comparative advantage to the absence of institutions that would cause stagnation due to a balance in demand and supply of resources across regions. Shedding more light into this phenomenon, Douglas North expressed that institutions governing trade are seen as the determinants of demand and supply [23], which affect exchange relations and dictate the magnitude and direction of trade between any two countries [20].

A majority of the works of literature which analyze the impact of institutional distance on the performance of bilateral trade have focused on the question: Does institutional distance enhance or reduce exports and imports, and if so, how? [10-17]. This also forms the basis of this meta-analysis. The prior assumption in the meta-analysis is that the institutional distance enhances exports more significantly in industries and countries that are highly institution dependent [22]. This assumption is based on prior work by Levchencko, which expressed the belief that some economic sectors rely on institutions more than others [24]. Indeed, there are industries in which 'dependence on institutions' and the 'enforcement of property and contract rights' are considered as technological features in the production process. This is partially true considering the differences in the complexities of goods made by these industries for trade. Goods can be standard, very complex, or less complex. The complexities, in turn, influence the number of intermediate checkpoints that the goods must pass through before they are ready for trade. Every checkpoint would require contractual agreements and the implementation of property rights. The complex goods would take more time because they require a large number of contracts to be generated, a process that relies more on the quality of contract enforcement policies in every country [25]. The end game of the property right enforcement and contract acquisition procedures, therefore, implies that good contract enforcement, which translates to high institutional quality, becomes a factor of comparative advantage in production and thus the flow of trade.

In separate work, Badrahan noted that the evident confusions in international trade that relate to the 'international border effects' places national borders as a matter of huge significance [22]. The significance is most apparent when one of the participant countries in a bilateral trade comes from a rich country. The rich countries tend to mend their institutional influence to their own economic advantage by using economic transactions in favour of home companies, entities, or organizations. The relative political potions of these two countries define the strength of their institutions, which in turn gets manipulated by the rich countries in their own favour [26,27]. In particular, contractual and property right enforcements in poor countries are not highly effective as it is in rich countries [22]. It could be the primary reason behind the gaps in border observance when bilateral trade occurs between a rich and a poor country. The more developed and effective the institutional set-ups are in any two countries involved in bilateral trade, the higher the chances that the border rules will be followed appropriately [22].

A more elaborate review of the influence of domestic institutions on international trade was completed by Moore et al. These authors used a series of facets to show how domestic institutions are indeed a source of comparative advantage for bilateral trade. Using historical evidence of intentional trade, Moore et al. portrayed that any change in the domestic institutions is often supported by powerful interest from authorities who look to influence the direction of bilateral trade to their favour [27]. Both the type of trade (whether the trade involves the production and exchange of institutionally dependent goods or not) and the degree of pressure put on it by the institutional policies become the key determinates of whether or not the institutional gap between any two countries enhances growth or retards growth [22].

Several authors have also come up with different trade models attempting to explain the impacts brought on trade patters by the differences in institutional setup. In 2003, Anderson and Marcouuiller showed that the quality of institutions put in place to protect property rights and to enforcements played a role in the variations in trade volumes between countries [28]. In particular, these authors underscored the significance of the contract enforcement regulation [28], citing it as the key to eliminating the reduction in trade response, which often occurs as a result of the fears of insecurities hidden in international exchanges [22-28]. They developed a model in which constrains of insecurity to trade were depicted to cause hikes in the price of goods exchanged in bilateral trade. The model proposed that the likelihood of loss is seen in a price-mark, which is equivalent to a secret tax on trade [28]. The proposal was supported by empirical evidence, using the gravity model approach, to illustrate that bilateral trade is highly reliant on the institutional quality of the trading countries. In it, better institutions emerged to be causing larger trade volumes [28]. In the same year, Ranjan and Lee emphasized that bilateral trade volumes will always be affected more by the institutional quality only in sectors that have been classified by research as institutionally intensive [29].

In the year 2004, Levchenko proposed a simple model regarding contracts and international trade. The model modelled the institutional difference with reference to incomplete contracts. In it, the author attempted to reverse prior conclusions that had been arrived at by simply equating institutions with productivity alone [30]. According to Levchenko, several other things are realized as a result of institutional differences, including the reality that underdeveloped economies have a higher probability of failing to gain from trade [30]. The author validated this model using empirical data. The results proved that countries which have set up better institutions, thus lesser contract incompleteness, have registered larger import shares in the United States in the contract-dependent market sectors [30]. In the model, Levchnecko used the Herfindahl index of concentration of supplier input for the final producer of a product. The higher the dispersion of the input suppliers, the higher the chances of contract-dependence, and the more they need for institutional intensity [31].

Two years later, Nunn constructed a variable to measure the proportion of intermediate inputs of each good that required any relation-specific inputs [22]. Nunn's concept borrowed from a completed work in 1999 by Rauch, which classified the inputs into some with an organized exchange, some with reference price, and others with neither organized exchange nor any form of the reference price [22]. The variable was inspired by the idea that selling an input in an organized exchange means that the input is thick [22], where alternative buyers and sellers are present, such that the value ascribed to the input outside the limits of a buyer-seller relationship is not far from that outside the limits of the buyer-seller relationship [22]. Thus, the input is not necessarily relation-specific. Using this concept, Nunn computed the contract-dependence against every final good in the trade. He then combined his statistical analysis with his previous findings on trade flows and the quality of judicial institutions of a specific country. In so doing, he established that countries, where there is good institutional contract enforcement, produced relation-specific goods that are very important in maintaining trade flows [32]. The model revealed that institutional distance between countries influences more global trade patterns when compared to the combination of capital and skilled labour.

The case of institutional distance and china's belt and road initiative (BRI)

In 2013, President Xi of China, during one of his visits to Kazakhstan and Indonesia, introduced an initiative to create an economic link between China and the foreign market. Xi had had the idea of strengthening China's global connectivity by combining new and old infrastructural projects covering an expansive

geographic scope [33]. These projects combine hard infrastructure, soft infrastructure, and cultural relationships [34] in over 138 countries whose combined Gross Domestic Product (GDP) totals to $29 trillion [35], and with up to 4.6 billion economically productive people inside [36,37]. Xi's initiative was inspired by the over 2000-year old silk route constructed by the Han Dynasty for the purposes of trade in ancient China [38]. Goods in Silk Road moved from the East to the west and were transported by foot, camels, horses, and yaks. At the time, the Chinese merchants explored the western markets using the Silk Road, and they enabled vital business affiliations between China and the Western world, mainly through barter trade. Fast-forward to the 21st Century, the Chinese head of state seeks to modernize the business ideals of the ancient Han Dynasty by creating trade routes to traverse Asia and the rest of the world [39]. Despite the similarity in the ideologies behind their conceptions, it is important to note that this modern-day initiative is quite the contrast, if not a highly advanced development, of the ancient Silk Road [39]. The ancient Silk Road was founded on an agricultural society, covering Asia and Eurasia for commodity export and entrepot trade [39]. In contrast, the modernized trade routes are founded on robust industrialization, advancement in technology, and economic globalization, covering the entire globe for both commodity and capital export by means of direct trade [39], [37]. Now, the Silk Road economic belt and the 21st century Maritime Silk Road is known as the Belt Road Initiative (BRI) [39].

BRI is rapidly developing, and as of April 2019, the project had attracted up to 125 signatures of cooperation from country representatives across the globe [36], which jointly constitutes more than 70% of the world's population, 30% of the world's GDP, and 24% of the global household consumption [40]. Despite a host of competing actors who discredit the project for its lack of criteria on what qualifies and what does not qualify as BRI, a successful realization of the strategies of the BRI would place China at the centre of the global economic affairs [41].

The initiative is seen to have come at a prime stage when the global economy is undergoing gradual recovery from the frequent recessions of the previous decades. Yet, the rate of this economic development is not uniform because while some countries are at the take-off stage, some are experiencing a drive to maturity, and others such as the United States of America are one foot into the age of mass consumption [42]. With this realization, China perceives that BRI can be taken as a common point for cross-country cooperation towards a uniform global economic growth [42]. The initiative further provides Chinese enterprises with the opportunities to open up to other countries through trade. In a recap, by the end of the year 2015, just two years after the start of the BRI, Chinese companies were making direct investments to over 50 countries through this initiative, with transaction amounts totalling to $18 billion by the end of that year [41]. The flow of investments through this very initiative has been on the rise at a 38.6% rate year-on-year, a rate twice that of the growth towards the world [43]. In the same year, the total of direct investments coming from China into the BRI added up to $ 115.68 billion, a value which approximated to 10.5% of the Chinese overall direct investment stock in 2015 [42]. These statistics reveal that the BRI had already become a new facilitator of the rapid growth of China's foreign direct investments, even at its preliminary stages [40].

At present, there is evidence of achievements, especially in the cooperation of infrastructure between China and some of the interested countries. Nonetheless, a majority of the Chinese foreign investments have so far been directed towards the South East Asian nationalities and neighbouring Russia only [44,45], creating an imbalance in the realization of the BRI goals. This imbalance in investments under BRI may be interpreted as China's attempt to secure a strong local base in the Eastern Region before it can advance outwards to venture in the western markets [46,47]. However, experts argue that the imbalance is a consequence of defaulters of the BRI who have opted to repackage their support for the program for fear of investment uncertainties [48]. The factor of complicated security is, by far, the greatest determinant of such reduced cooperation and skepticism between the investors from the western world and China [48]. These security concerns emanate from the fear of cultural conflicts, different powers styles, and religious influences on trade- all of which place further risks on future cooperation in the direct foreign investments [49].

Regardless of the backlog of uncertainties surrounding the full implementation of the BRI, economists forecast that the beneficiary countries of the BRI are most likely to benefit from the initiative due to the provision of hard infrastructure. Take, for instance, the prediction by the Asian Development Bank (ADB). The bank has estimated that developing nations from the East Asian Region collectively need up to $26 trillion for effective infrastructural developments that will sustain their competitive economic growth in the global environment. China has made its presence known in the scenario by pledging up to $1 trillion in aid of these infrastructural developments. If China triggers these financial dealings, then it will garner considerable political control against the economic strength of these South Eastern Countries. It is worth noting that a majority of the regions which are targeted by the BRI are struggling with underinvestment as a result of weaker domestic GDP. Countries such as Myanmar and Pakistan would be perfect examples in this case due to their low rankings in the United Nations Human Development Index (HDI). Myanmar ranks 148th, and Pakistan ranks 150th in the global HDI rankings. It only makes sense to experts that these two countries are heavily targeted by the BRI against their economic strengths.

On the surface, BRI appears as a normal investment assortment seeking to eliminate trade frictions such as tariffs and transport costs. It is readily conceivable that the development of better hard

infrastructure with neighbouring states reduces transport costs and transport times. It is also evident that the establishment of soft infrastructure will expand the range of goods to be traded due to reduced trade restrictions. The resulting overland economic connectivity will boost growth in China because China has a huge reserve of savings that are not currently being put in constructive use. Making large-scale investments overseas using this amount of money, especially in financing infrastructural projects, gives China the opportunity to export its financial largesse and enable its state-owned enterprises to work on the international front. These and other outward implications of the BRI are explicitly acknowledged in China's official BRI proposal [50-56].

However, the impact of the BRI on foreign institutions are less publicly articulated. China's economy has slowed down, and most of its state-owned enterprises have nearly exhausted the provisions of the once booming economy. As a consequence, a majority of its construction, cement, and steel companies are faced with a struggle to gain grounds in the international markets due to the differences in institutional regulations on the international markets. The BRI thus comes as an alternative to eliminate this institutional distance between China and the foreign destinations so that it can create a room of operation for its state-owned companies on a global scale. As China injects its surplus savings into financing international projects, the targeted countries around Eurasia slowly become dependent on China's economy. This scenario gives China economic leverage over these foreign economies, thereby empowering China to make changes to, shape, and interfere with the rules and norms that govern foreign institutions with regard to economic affairs. In so doing, China stands a chance of making both economic and political gains by taking control of the institutional distance between its domestic market and the foreign markets. This is not to say that partner countries fail to reap concrete benefits from the BRI, rather, a critical outlook on how China is exploiting its BRI strategies to override the barriers of institutional distance on trade.

It would enable China's state-owned companies to outbid foreign companies from financially constrained countries in projects that attract highly competitive international biddings. An evident case involved the Japanese construction firms' losses to their counterparts from China in their bids to steer the Indonesian high-speed rail project. Critically, it can be concluded that China is using its financial dominance to reduce the institutional distance between its local environment and the neighbouring counties in order to increase its returns on foreign direct investments. This was practically evident in Indonesian's response to the questions over their rationale for awarding the construction contracts. The Indonesian government accentuated that the previous financing from China had placed China in favour to edge out competitors in subsequent competitive platforms for development.

The evaluation of the ongoing BRI constructions further reveals the extent to which China has monopolized the foreign institutions in South East Asia through the BRI initiative. The implementation of the China-Pakistan Economic Corridor (CPEC) is already underway, and it has been fraught with disagreements. The CPEC project was proposed by China in a bilateral meeting of the three heads of states (China and Pakistan) held in 2013. The corridor extends over a 3000 km stretch of land to connect Kashgar in China and Gwadar in Pakistan. The flagship project under BRI compounds a trade network of optical cables, railways, highways, and pipelines that connect the Silk Road Economic Belt towards the North and the 21-st Century Maritime Silk Road in the South. Both China and Pakistan view this project as critically significant in their economies, except for their different viewpoints. China does not seem dependent on the project, unlike Pakistan, which is too devoted to let it pass. In fact, a recent slowdown of the projects under CPEC in the aftermath of slight geopolitical tensions pushed the Pakistani Prime Minister to make controversial steps just to ensure the progression of the project. The Prime Minister went ahead to exempt a state-owned Chinese company operating at Pakistan's Gwadar port from taxation just to push forward for the continued construction of the CPEC projects. These and other scenarios have been used to prove that BRI is slowly giving China political gains in foreign destinations. Through these gains, it is reducing the influence of the normative regulations of the foreign institutions, thereby reducing institutional distance as a means for maximizing economic growth.

Reliable sources confirm that the international recipients of China's proposal are already fully aware of the significance of institutional distance. Weighing from their responses so far, the international environment has measured the implications of BRI on the institutional gap with China and are skeptical about fully implementing it. Countries such as Myanmar, Australia, and India have hard lukewarm cooperation with the BRI as a show of distrust of China's motives. Australia was reluctant to allow specific investments spearheaded by Chinese state-owned companies by rejecting calls to align its domestic infrastructure budget with the BRI formally. Canberra declined two bids by China's state-owned enterprises in Canberra's energy and agricultural sectors by claiming that China was infringing on its matters of national interest and security concerns. Similar claims were aired by Myanmar, which is currently cooling down on its earlier enthusiasm for working with China. Myanmar had vigorously entered into investment deals that made China the largest investor in Myanmar. Having noticed the growing influence of Chinese companies in the country, Myanmar is slowly reconsidering its steps and has since halted the construction of the Myitsone Dam, which is among the most significant Chinese investment in the country. Similarly, Indian leaders missed on the 2017 and 2019

Belt and Road Forums and have further expressed disinterest in the passing of CPEC through Kashmir.

Empirical data suggest the sensitivity of international trade to political restrictions, strengths of the currency, and raw materials. Likewise, international companies have been linked to increased competition and the continued flow of surplus goods- all of which are significant contributors to economic recovery and growth. Therefore, the analysis of the current empirical evidence connecting international trade and the institutional distance, along with the elaborations on potential moderators, may be particularly relevant in cautioning the international audience on their support for the BRI.

To address these issues, this meta-analysis compounds several works of the literature investigating the association between bilateral trade, Belt and Road Initiative, and the institutional distance. Specifically, the meta-analysis addresses the following questions: What is the overall magnitude of the association of institutional distance with bilateral trade and BRI? Do structural as opposed to functional aspects of institutional distance differentially impact international trade? Is the association moderated by the participant country's characteristics (GDP, HDI, political stability, natural resources) or by study characteristics (duration of the study, the inclusion of statistical controls)? The methodological approaches used are versions of meta-regression models. The models create a relationship between the bilateral export performance and the economic sizes of the importing and exporting countries as well as their existing trade costs. The outcome of the meta-regression models indicates that institutional distance is a determinant of international trade, more significantly impacting the institutionally-dependent items of trade. These results emphasize the need for institutional reforms that may boost the capacity of developing countries to add higher value to their economy by means of international trade.

Main Scopes of the Literature Study

The scope of the study is mainly two in this aspect. The first process is the project focus that the researcher aimed at investigating and generating the needed information. It is evident that the research focused on the China Belt and Road initiative. The culture and institutional distance with regards to the BRI is what the researcher mainly focused at achieving. The second scope of the study is the meta-analytical research study. There was a focus on research articles that dealt with BRI and determined the institutional distance. The researcher in general focused on articles that were discussing main issues about the China Belt and Road initiative.

Theoretical framework

The research equation is based on the following theoretical framework. The framework is divided into segments. The first section indicates on the focus of different internationalization processes of firms. The other aspect is on the concerns regarding culture. The China Belt and Road initiative has different cultures from nations that are directing the organizations towards success in the initiative. The research is a meta-analytical research and the data was collected through reviews of different studies that showed the institutional distance and the BRI initiative. The research indicates that culture has an influence on the different processes of internationalization of the firms. Which means that the culture concepts and distance are positively related. In the analysis process, it was evident that culture differences are not part of the decisive factors towards decision making when it comes to penetration into the market. The advantages such as compensation, adaptation and also understanding of the cultures was highlighted as a strong factor towards determination of success internationalization.

The BRI framework

The framework is identified as a broad and an ambitious framework. The aim of the framework is to ensure that the initiative embraces the trends to achieve a multi-polar world. Further, it also seeks to achieve economic globalization, It applications and facilitate cultural diversity in China. The initiative is instrumental and designed to ensure that there is an upholding of global free trade and regimes towards facilitating an open world economy. Through such processes, there is a connection taking place between Asia, European regions, the African continents and other countries that have a different culture. It facilitates the taping of the market potentials to ensure the promotion of investments thereby enhancing consumption and stimulation of product demands in the society.

Methods

Identification of studies

We used three search techniques to identify published and unpublished studies on the association between institutional distance and international trade, including literary works on the recently conceived Road and Belt Initiative of China. First, we started by completing searches from electronic databases on dissertation abstracts, business source complete, the web of science, and Google scholar. Second, we manually reviewed the reference lists of the articles to access citations to other studies on the same topic. Lastly, we solicited the authors who wrote three or more articles on the topic, seeking their permission for access into their completed works. From the search process, we came up with a total of 70 published studies in the period of 1990 and 2022.

Inclusion criteria and data abstraction

The studies considered for the meta-analysis mainly involved those which provided quantitative data on the association between trade flows and the regulatory institutions between countries. Only data from the last two decades were considered for the meta-analysis. The articles were considered eligible if their primary focus was on the role of institutional distance on trade alone. We excluded reviews that evaluated more than one factor for trade (that is, studies that combined institutional distance with other factors such as cultural distance and observable trade costs, including tariffs and transportation were exempted from the meta-analysis). We, however, did not make an assessment of the methodologic quality of the primary researches because the quality assessment in meta-analytic works raise controversy. When scores are collected in ad hoc fashion, they may fail to demonstrate validity, and the results may lack on quality. Instead, we made the highly recommended subgroup and sensitivity analyses. When multiple sources contained related data from the same sources or publications of the same database, the article that contained the whole sample or a more elaborate was selected while those with sub-samples were eliminated. A majority of the data was extracted verbatim from the primary sources [57-78].

Meta-Analytic Procedures

We used two techniques to calculate the intended analytical objectives: Hedges–Olkin-type meta-analysis (HOMA) and the meta-analytic regression analysis (MARA).

HOMA procedure

In HOMA analysis, there are two methods that are strictly used when combining two study estimates. The first method is the application of a fixed effect model. It is an example process that makes an assumption that there is no heterogeneity that takes place between study results. Furthermore, in the process, the collected effect sizes are usually applied for the purposes of dealing with the sampling error. The aim of these factors are to ensure that there is an explanation of variability that occurs between the sized. The second model applied is the random effect model. In this process an assumption is made whereby there is an estimation of different effect sizes. The effect sizes are usually correlated for sampling error purposes. Moreover, there is usually a value present that is used for representing other sources of variability. These are variability aspects that are assumed to be randomly distributed in the research process. Conservative estimates in the research were opted for achievement of the random effect models. In the effect size statistics applied in the HOMA process, the Pearson product is what was applied. The correlation is r while there are also partial correlation coefficients which are r xy.z . r as a coefficient is commonly used in the meta-analysis processes. The reason why it is commonly used is because it is an aspect that is easy to interpret and it also has the scale-free measures dealing with linear associations. On the other hand r xy.z represents different aspects such as the strengths that are taking place between two variables. It helps in controlling the variables for the influence of other variables. Therefore, for purposes of extracting partial correlation coefficients, the research studies therefore performance of the firms is what is applied as a dependent variable. The HOMA procedure led us to a valid determination of the mean magnitude of the effect of the institutional distance on the associated features found in of bilateral trade. These are the features that affect both importers and exporters. Importantly, the raw data on mean values, as presented in Table 1 below, were obtained without any consideration of the potential standard errors of the estimates made by the individual studies (Table 1).

Table 1: *Raw Data showing imports and exports based on institutional distance.*

	Exporter				**Importer**			
	Obs	Mean	Min	Max	Obs	Mean	Min	Max
Exports	128	0.49	-1.18	1.87	69	0.21	-1.39	1.77
Imports	107	0.14	-0.38	0.60	71	0.08	-0.43	0.58
Overall	236	0.33	-1.18	1.87	141	0.15	-1.39	1.77

Table 2: *Institutional Distance to International Trade.*

	PEARSON PRODUCT–MOMENT CORRELATION (*R*) AND PARTIAL CORRELATION COEFFICIENTS ($R_{XY.Z}$)					
Predictor	***k***	***N***	***M* (*p* value)**	***SE***	***Q* test**	I^2
INSTITUTIONAL DISTANCE TO AMOUNT OF TRANSFERS	48	171,991	.01 (.45)	.05	1522.61***	.98
INSTITUTIONAL DISTANCE TO THE DEGREE OF OWNERSHIP	89	463,007	-.01(.49)	.01	1930.76***	.96

INSTITUTIONAL DISTANCE TO THE BENEFITS OF TRANSFERS	19	3,590	.15 (.00)***	.03	50.51***	.67
INSTITUTIONAL DISTANCE TO ENTRY MODE	118	92,924	-.01 (.80)	.02	931.59***	.86
INSTITUTIONAL DISTANCE TO MODE OF ESTABLISHMENT	95	46,185	-.05 (.00)***	.01	735.30***	87
INSTITUTIONAL DISTANCE TO PERFORMANCE	439	913, 262	.03 (.01)***	.01	7126.49***	.94
Institutional Distance to Location Choice	35	2, 441, 681	.01 (.03)**	.01	8087.79	1.00

Table 3: *MARA estimation results.*

	Exporter (China)	Importer (destination country)
Model provides details for zero trade selection (Heckman,	-0.107 *	0.0887**
Tobit, Probit)	(0.0628)	(0.0370)
Model provides details for endogeneity (IV-based estimation)	0.244***	-0.0186
	(0.0948)	(0.0193)
Gravity models	-0.346	
	(0.295)	
Exports as the dependent variable	0.344***	-0.125***
	(0. 0.0044)	(0.0065)
Land transport	0.169***	0.0742***
	(0.0610)	(0.0244)
Maritime or air	0.0412	0.591 **
	(0.0690)	(0.0253)
Communication	0.0673	0.0554**
Composite measure (index)	(0.0726)	(0.0228)
Developing economy	0.168 ***	-0.00962
Developed economy	(0.0573)	(0.0382)
Both types of economies (mixed sample)	0.121	-0.123 ***
	(0.158)	(0.0319)
BRI Sample structure		
firm level/ Sub-national	-0.475 **	-0.494 ***
	(0.203)	(0.0549)
No cross-section	0.0950	0.160***
	(0.0918)	(0.0341)
Model Specification		
Controlled Models	-0.00681	0.0757
	(0.154)	(0.0622)
Estimation excludes other infrastructure/ institutional sets or categories	-0.0423	0.112**

	(0.125)	(0.0505)
Model does not provide control for partner institutions	-0.144	0.438***
	(0.161)	(0.0787)
Equation rejects joint resistances	-0.0875	0.0474
	(0.105)	(0.0359)
Equation ignores income	-0.378*	
	(0.227)	
Tariffs or trade agreements not reflected	-0.239**	0.129***
	(0.102)	(0.0263)
Equation eliminates spatial/geographic variables	-0.104	0.000847
	(0.0945)	(0.0160)
Equation ignores education and human capital	-0.130	-0.828***
	(0.110)	(0.0707)
Consumer population not considered	-0.0288	0.100***
	(0.0654)	(0.0245)
Variables of governance not considered	-0.401***	-0.298***
	(0.0730)	(0.0457)
Equation does not consider exchange rates	-0.280***	0.00633
	(0.0778)	(0.0149)
Colonial, cultural, or linguistic	-0.00983	0.0295
Relations not factored	(0.157)	(0.0462)
Nature of publication		
Well recognized journals	-0.0127	0.121**
	(0.111)	(0.0559)
Promotion	0.0649	0.114**
	(0.111)	(0.0499)
Constant	0.253***	0.258***
	(0.0198)	(0.0190)
Log-likelihood	168.2	209.0
Proportion of between study variance explained		
% Residual variance due to heterogeneity		
Observations	236	141

The above table is instrumental in explaining different values between the importer country and the exporter nations. Between these two countries, the rate of imports and exports that are taking place is what the table discusses in terms of raw data. The findings are raw since they have not been refined to improve on the data towards achieving finer information. The values were computed using significant measure for random-effects. These were the standardization measures for HOMA analysis, which is considered as a potential measure for creating heterogeneity when analyzing distribution data. The computation mechanism also comes with the advantage of being more conservative than the fixed-effects HOMA. There is an effect when the research does not observe heterogeneity between institutional distance and levels of imports and exports. The impacts are that the study findings will not play an important role in determining the effect sizes from institutional distance. In this case, the fixed effect (FE) combined estimate becomes more efficient in averaging the study results as compared to the ordinary mean [79] However, for studies with the heterogeneity but no systematic way to measure the characteristics, the random effect (RE) becomes feasible. In the meta-analysis, we used Poot's description to choose between the FE and the RE [80]. Considering that the effect sizes of the studies used in this meta-analysis came from different methodologies, model specifications, and geographical coverages, we had a little challenge with settling on universal effect size. As a consequence, we confirmed the universal effect size for the meta-analysis by carrying out a homogeneity test by the 'Q- statistic' [80-83]. The Q- statistic' was necessary to ensure that the primary studies shared a common effect size, a factor which would suggest the relevance of the FE estimate to the study. In our test, we combined 70- effect sizes with

Q-statistics of 33174.7 and 4596.1 for exporter and importer trade flows respectively, all of which exceeded the upper critical value of 493.6. We relied on these results to conclude that the effect sizes described a heterogeneous pool of studies, which meant that the FE average would not be feasible. It justified our choice for the RE.

MARA procedure

We used the MARA to validate the feasibility of our model against several control variables. The dependent variable is what the research studies or measures. In this case, dependent variable is the institutional distance. The variable is used to study on whether the distance affects import sand exports. In the procedure, neither the institutional distance nor the other independent variables such as the extent of trade flow (import or export quantity and quality) were considered. Instead, we used an estimate of the associational strength of the relationship in the samples, such as institutional distance and economic performance, and in so doing, all the variables in the regression equation came out as moderators of the relationship. To explain the difference in precision across effect sizes, we used weighted regression; this was possible because MARA is a weighted least square technique for modelling any previously unexplained variance in a distribution's effect size. Due to the heterogeneity of the literature, we utilized RE estimation methods in the MARA analyses to yield the equation:

$$R_i = y_0 + y_m D_i + \beta_m S_i + \varphi\, R_I + u_i$$

In which R_i denotes the correlation between institutional distance and the variables of trade flows such as entry mode, degree of investment, exchange frequency, et cetera. ` y_0 Is a constant, D is a measurement vector of the trade artifacts, S is a vector for the study characteristics, R is the set of trade characteristics (such as low or high exports), and u_i is a random component.

Results

HOMA results

Table 2 shows the results of various r- and r_{xyz}- based HOMA analyses for the effect of institutional distance on a number of aspects of international trade that have emerged since the conception and subsequent implementation of the BRI in China. It emerges that institutional distance has had a negative and a statistically significant effect on China's choice to invest in a host country (where mean effect size is −0.02 and p=.03). However, the overall relationship between institutional distance and China's mode of entry into foreign territories is not statistically significant. The analysis provides a negative correlation, but several studies indicate a change in these values, from negative and statistically insignificant relationship during the earlier years of entry to a positive and statistically significant relationship in the latter years. (Initial mean effect size = -.02, p=.06; final mean effect size= 0.17, p=.00). We also found a negative and statistically significant correlation between institutional distance and acquisition (mode of establishment). However, the mean effect size is -0.05 and not 0.05. There was no significant relationship between the institutional distance and degree of ownership across all data sources. This was, however, not the case with the relationship between institutional distance and the performance levels (mean effect size = 0.03. P=.01). The results indicate an overall strong relationship between institutional distance and the benefits of trade transfer (mean effect size = .15, p=.00). The results of these moderators of international trade were found to be consistent over time and across all the data sources. A majority of subsample sizes also yielded results that are consistent with the overall mean (Table 2).

Entry mode is operationalized as wholly owned investment taking a 1 (joint venture = 0). Establishment mode is operationalized as acquisition taking a 1 (Greenfield = 0). Degree of ownership measures the size of the foreign investment. Benefits of transfers deals with the degree to which a (knowledge) transfer has been beneficial for the vocal entity. It includes the improvement of knowledge since the implementation of BRI in China. Location Choice is the 0/1 measure of chances of investment in a particular country. I2 = scale-free index of heterogeneity; k = number of effect sizes; M = mean effect size; N = total sample size; Q = Cochran's homogeneity test statistic; SE = standard error of mean correlation. *p < .10. **p < .05. ***p < .01.

The amounts of transfers were measured by focusing on the company data especially on the companies that were involved in China Belt and Road Initiative. An analysis of the countries that are found along the China Belt and Road Initiative were considered when measuring the benefits of transfers and Performances. It ensures that there is a provision of the right knowledge and data on how institutional distance is affecting these countries along the BRI. Hence, the company data and performance statistics over time were collected to provide an insight about these factors in the research study.

MARA results

Table 3 below shows the application of MARA technique in analysis process. The original means of the explanatory variables have been transformed to deviations. Among the many artifacts of international trade, the methodological artifact of endogenity, all infrastructural artifacts, developmental levels of economies, and the promotional journals show significant positive effects on the institutional distance and trade with China. This suggests that these panels tend to yield more positive effects of institutional distance on the performance of FDI. Also evident, the focal relationships become more negative when issues of endogenity are less addressed in the primary study (Table 3).

In the above data, it is predicted that the export performance of a firm is an aspect that is positively related to the BRI. The

measurement is p=0.01 and the analysis in the research shows that export as a dependent variable attracts a value of 0.0044. The analysis brings about a support of the research hypothesis which is that institutional distance matters and that BRI helps in achieving export performance in firms that are found along the BRI routes. It means that after the launch of the BRI there was an increase in the export volume. It increased by 0.44 percent. The increase is in line with an increase of the one thousand funding volume. In that, for one thousand funding volume, the export percentage of BRI increases by 0.44 percent. In the process, firms are able to achieve a successful move across the Belt when there are replenished government subsidies.

From the analysis, it emerges that the exporter infrastructure has higher effect size when analyzed on trade than what the import infrastructure generates. These are evidenced in all the categories under variables analyzed except for the aspects of communication infrastructure. It is an interesting kind of result basing on the fact that communication infrastructure has greater impacts on different transaction costs as opposed to transportation costs. The rationale is that it creates a facilitation of the flow of information which later enhances trade. The communication infrastructure creates greater impacts on the consumption aspects of markets in the BRI route as opposed to having an effect on the production side.

Research design and process

The objective of the research paper was to ensure that there is a creation of additional clarity on the institutional distance and determining if institutional distance matters when dealing with the project of China Belt and Road initiative. There is a wide use of aspect such as the institutional and cultural distance literature shows that there are less discussions that are directed towards the China Belt and Road initiative. Further, literature indicates that firm internationalization is not prioritized by the researchers in the society. Based on the research review and analysis, it emerges that the lack of consistency in the research is because the scholars often deal with broad aspects when discussing these issues. For purposes of addressing these issues, here was an application of a descriptive research design. In the meta-analytical process, the main design was a descriptive research design. The researcher ensured that the data findings from the analyzed article were discussed in details to educate the audience about institutional distance and BRI. The aim of using the descriptive research design is to provide in depth data and information about different aspects in the research study. The research articles were sampled through purposive sampling methods. Using the research guidance and questions, purposive sampling was the best strategy to use in the process. The importance of purposive sampling was to identify the right articles that have relevant information regarding BRI as well as articles that are dealing with the institutional distance aspects. Furthermore, purposive sampling method was applied to ensure that the articles that were selected in the research study were up to date articles with relevant information that can be used in decision making aspects.

How data was extracted from the report

Data was extracted from the report by reading through the research findings by the authors. The data extracted were put into themes to eliminate unnecessary data and use the available information that can help in understanding institutional distance and how it matters in the BRI initiative. The following methods were used in dealing with data extraction process from the reports. The first step included the highlighting of the extracted data on the article pdfs. These included the information that would be used in the analysis of the data. The second process involved keeping a record of the data forces. Later, there was creation of folders that contained all the group sources. All the calculations and documents were estimated and later the data was extracted in Excel sheets.

Discussion

China belt and road initiative and business drivers

In March, 2015, there was an action plan that was issued by China with the main objectives of the BR Initiative discussed. The main broad objectives of the initiative were to achieve strong economic status and promote economics in the region. Interestingly, the BRI participating economies are strong and give a representation of more than a third of the entire global economy in terms of the GDO. Further, it also represents more than half of the world's population in GDP. Infrastructure is a key requirement when dealing with BRI but China indicates that the objectives of BRI supersedes the infrastructure requirements. China indicates that the process encompasses different aspects such as sustainable growth for the region and further development of a regional growth for the industry and also achieving greener economic developments. Initially, there were problems such as excess capacity which led to the WTO or even the OECD. Hence, for purposes of highlighting these challenges, there is a need to watch out for the global level. China needs to ensure that the BRI does not engage in shifting the excess capacity and also the less environmental resources to countries that have little net gains. Through these mechanisms, BRI will ensure that there is a strong contribution made towards the 2030 millennium development goals.

Specific objectives in terms of business trade for BRI

The objective of the BRI is to ensure that there is business conducted and also that there is a direction of activities that will result to growth through connectivity processes. The focus on connectivity takes place through facilitating trade and investment processes. The mechanism will help in the developing of the neighbouring countries and improving on the energy, resources and food in the region [57]. BRI in trade aspects has a broad scope

dealing with economic, cultural and strategic connectivity. The first objective of trade is to make sure that there is an increase in trade and investment in the BRI. The aim of the objective is to ensure that there is an improvement in bilateral as well multilateral cooperation. These are the important cooperation that are needed to ensure the Belt and Road initiatives are adhering to success factors [58]. The examples of success factors for cooperation include dealing with policy communication, trade facilitation, connectivity, handling the people to people flows and also dealing with capital flow. The second objective that helps in the development of businesses and trade in BRI is the creation of free trade zones that are found along the Silk Road. The BRI initiative aims at ensuring that there are efforts improved that deals with the implementation of free trade area and strategies. The process therefore gradually establishes network of standards and also achieves free trade areas. The BRI focuses on actively engaging in issues dealing with negotiations with the different countries that are found along the BRI routes. These processes help in building a free trade area.

The third objective that facilitates trade in the BRI initiative is to ensure creation of financial cooperation in the different regions to make sure that there is a possibility of funding infrastructure. In the process, there is a strengthening of the cooperation and handling international organizations to work in tandem with the main objectives. The outcome of these mechanisms is to facilitate the development of Asian Infrastructure Investment Bank and also the development of a new Development Bank [56]. In this process, the Silk Road Fund will be handled effectively and put to relevant use. In general, the process attracts international capital that leads to the creation of a financial cooperation platform. Importance of the financial cooperation platform is to provide financial resources to the countries so as to improve on business ventures and trade along BRI initiative. Businesses are also successful by having strong infrastructure developments. BRI business ventures is dependent in the infrastructure development. It is one of the specific objective of the BRI. The initiative aims at strengthening transport infrastructure that takes place in the BRI corridors. The mechanism ensures that there is an advancement of multi-modal transportations which integrates mechanisms such as the express ways, waterways roads and railways. The infrastructure development along the major routes will be strengthened to ensure that there is business development and economic boost in China and regions along the BRI routes.

Impact of institutional distance on trade

There have been hundreds of studies on the impact of institutional distance on international trade. Yet, a majority of these studies adopted broader methodologies. These methodologies were keen on generalizing the construct of institutional distance and that of international trade. The generalizations implied that the studies may not have paid sufficient attention to the different stages, concepts, artifacts and even the outcomes of international trade. We sought to go beyond the broad focus and narrowly focus on a specific outcome by integrating findings across several related outcomes of completed studies. Our first research question sought to identify the overall magnitude of institutional distance on international trade. The meta-analysis confirms that institutional distance impacts international trade, and a case of China's BRI proves that the effects are more intricate that it has been assumed in most studies. Collectively, most multinational companies tend to avoid institutionally distant countries. However, as opposed to the reports that most companies prefer to establish themselves through acquisitions, our meta-analytic results reveal that Chinese companies investing in institutionally distant countries settle for Greenfield. Overall, the influence of institutional distance on trade varies across artifacts, with the largest impact likely to be felt in the area of the benefits of the trade (mean of .15), followed by subsidiary performances (mean =.03), followed by the amount of transfers (mean=.01) and the choice of location.

The data on China's State owned companies expanding tin=into the foreign markets indicate that BRI initiative, which has significantly influenced the institutional distance between Chinese markets and the host markets, is significantly influencing trade with China. The negative outcomes on artifacts such as the mode of entry, degree of ownership, and mode of establishment could be lacking in evident relationship because of the economic, geographic, and psychosocial variables between China and the South Asian countries, which so form the largest percentage of the cooperating members. The second question sought to identify whether the functional rather than the structural aspects of institutional distance impact international trade. The meta-analysis provides evidence to the support that both functional and structural aspects of institutional distance impact international trade. Most of the artifacts of institutional distance such as the mode of entry, degree of ownership and the mode of establishment are affected by the institutions of a the host country, yet , the meta-analytic results show that they have had a negative significance in their influence on international trade with China under the BRI. Conversely, the benefits of transfers, location choices, and performance levels are both affected by the structural quality of the institutions, and have since showed positive significance in their influence of trade between host countries and China. While the causality of these variations are not easily established, the results point to a greater likelihood that the structural aspect of institutions have more robust impact on institutional trade. China is dealing with the BR initiative where there are different institutions that are present along the routes of the initiative. The institutional trade in this case involves the China Belt and Road initiative.

The last research question concerned the reliability of the individual study approaches. Most studies used in this meta-

analysis only used single measures of correlations, but the magnitude of the relationship between international trade and the institutional distance was more pronounced in studies that employed complex methodologies. However, considering that the individual studies were statistically adjusted, the impact of methodology can be underestimated. This assumption suggests that the association of institutional distance and international trade was moderated by the characteristics of the host countries rather than the study designs.

Conclusion

The research statement is effective because it helps in providing an insight about institutional distance and effects it has on trade aspects in China. The main consideration is an analysis of the China Belt and Road initiative. Institutional distance is seen to have an impact on the China Belt and Road initiative. The reason is that there is time consuming distance that the countries have to cover in order to deliver resources that help in facilitating the functioning of BRI. Most of the multinational companies are seen to avoid institutional distance because of the negativities that are faced. Hence, in this process, the Chinese companies that are investing in institutional distant countries often focus on Greenfield environments. The research identifies challenges that are faced while investing in Institutional distance and also provides feedback that can be used in eliminating these challenges to ensure that China Belt and Road Initiative is successful while operating in the Chinese trade environment.

Implications of the research findings

The findings are instrumental as they provide solid foundations regarding institutional distance and the BRI. The research findings showed an interesting gap on literature when it comes to discussing about institutional distance. Therefore, the researchers in these sectors should strive to make sure that they discuss more on institutional distance and provide insights on how institutional distance affects China Belt and Road initiative. The future research studies should be directed towards addressing these issues in the BRI and determine the solutions that can be used to overcome these challenges found within the institutional distance and BR initiative. In order to achieve success in terms of BR initiative meeting their objectives, it is important to encourage more in-depth research studies and focus on internationalization as well as other aspects of institutional distance. Furthermore, there should be a research investigation on the salient features on institutional distance and the outcomes that they generate in the research findings. It is important to note that issues such as institutional distance are important during the pre-investment stage. Therefore, there is a need to handle these aspects and discuss the effects that they had in the investment of the BR initiative.

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