

# IS CHINA'S BELT AND ROAD INITIATIVE A ZERO-SUM GAME?

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## Abstract

Extant literature finds that foreign infrastructure investments tend to increase cross-border economic activity between investor and recipient countries. We question whether such an increase comes at the expense of trade with third-party countries (a “zero-sum hypothesis”), or whether the infrastructure investment leads to an increase in overall trade (a “lifting all boats hypothesis”). Our investigation is within the context of the Chinese Belt and Road Initiative (BRI). In a sample spanning 2013 to 2018 and covering 1,135 BRI projects in 110 countries, we find strong evidence in support of the zero-sum hypothesis. The increase in cross-border economic activity (imports, exports, and M&A flows) with China is accompanied by a decrease in activity with third party countries. Further, we show that, following BRI investments, BRI countries trade more with other countries that are politically aligned with China, but less with countries that have recently been visited by the Dalai Lama. Overall, our evidence points to both a “zero-sum” nature of the impact of infrastructure on cross-border trade, and to the existence of a BRI “network” that favors countries that are politically aligned with China.

Keywords: Trade, cross-border M&As, infrastructure, Belt and Road

JEL Classification: F140, F36

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## Abstract

Extant literature finds that foreign infrastructure investments tend to increase cross-border economic activity between investor and recipient countries. We question whether such an increase comes at the expense of trade with third-party countries (a “zero-sum hypothesis”), or whether the infrastructure investment leads to an increase in overall trade (a “lifting all boats hypothesis”). Our investigation is within the context of the Chinese Belt and Road Initiative (BRI). In a sample spanning 2013 to 2018 and covering 1,135 BRI projects in 110 countries, we find strong evidence in support of the zero-sum hypothesis. The increase in cross-border economic activity (imports, exports, and M&A flows) with China is accompanied by a decrease in activity with third party countries. Further, we show that, following BRI investments, BRI countries trade more with other countries that are politically aligned with China, but less with countries that have recently been visited by the Dalai Lama. Overall, our evidence points to both a “zero-sum” nature of the impact of infrastructure on cross-border trade, and to the existence of a BRI “network” that favors countries that are politically aligned with China.

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# Is China's Belt and Road Initiative A Zero-Sum Game?

## 1. Introduction

Extant literature documents that investment in infrastructure leads to greater cross-border economic activity, as it lowers transportation and transaction costs (Donaldson, 2010; Celbis, Nijkamp, Poot, 2014). A subset of this literature finds that countries might enhance their trade volumes and cross-border flows of capital by investing in the infrastructure of trading partners—especially if those trading partners have a relatively low level of development (Abe and Wilson, 2016). In our manuscript, we question whether the benefits that accrue from such foreign investment in infrastructure are specific to the investor-investee country pair, or whether such investments increase economic activity between the recipient country and third-party countries as well. We do so in the context of Chinese foreign infrastructure investments under the Belt and Road Initiative (BRI). Extant literature finds that, when China invests in infrastructure in, say, Pakistan, trade and capital flows between China and Pakistan tend to subsequently increase. But does the resulting improvement in infrastructure lead to greater trade and capital flows between Pakistan and third-party countries as well—say, for example, Germany—or does economic activity between Pakistan and Germany decrease as a result of Pakistan's greater link with China? In other words, do investments in infrastructure “lift the tide for all boats,” or is this a zero-sum process where the trade and capital flow gains towards China accrue at the expense of links to third-party countries?

The Belt and Road Initiative (BRI) is best defined as a bundle of infrastructure projects. Launched in 2013 by President Xi Jinping, it includes a large number of initiatives, mostly focused on the development of infrastructure in a set of countries stretching from East Asia to Europe and coastal Africa. The goals of the project are multifaceted. At its core, the BRI aims to increase trade

links between China and a vast array of countries, as China aims both to find new markets for its products and firms, and to gain access to foreign resources—mostly, energy and food. The BRI also incorporates other goals, as it is both a tool for projecting soft power and a means to increase worldwide acceptance of the renminbi. The vision is of a network of highways, railways, energy pipelines, ports, airports, special economic zones, and other infrastructure, linking China to Central Asian former Soviet republics and southward, through Southeast Asia, into the Indian Peninsula, and, via a maritime corridor, through the Indian Ocean, towards Eastern Africa and eventually Europe. The scale of the project is truly unprecedented. Yet, the initiative is both loosely defined and opaque, which leads to a wide range of size estimates. Most estimates indicate that, to date, the BRI initiative involves over 100 countries. Including China, those account for 65% of the world population and 40% of the world's GDP.<sup>1</sup> Analysts estimate that China has so far invested between USD 600 bn and USD 800 billion in the project, and most estimates of planned expenditures over the next decade range between USD 1.0 and 1.5 trillion.<sup>2</sup>

We obtain a dataset tracking BRI investments from the American Enterprise Institute. Our sample spans 2013 to 2018 and covers 1,135 projects in 110 countries, for a total value of approximately USD 625 bn. The average cumulative BRI investment in our sample accounts for 1.6% of the recipient country's GDP. Yet, this average understates the true potential significance in some countries. As examples, BRI investments account for a staggering 137% of GDP in Laos, but also 15% of GDP in Pakistan and 9% of GDP in Bangladesh.

Our first analysis focuses on trade flows. Our basic analytical framework relies on regression-based “gravity models” of country-pair trade (Tinbergen, 1962). We recognize that the

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<sup>1</sup> <https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative>

<sup>2</sup> <https://www.cfr.org/backgroundunder/chinas-massive-belt-and-road-initiative>; and <https://www.economist.com/asia/2018/09/06/the-perils-of-chinas-debt-trap-diplomacy>

level of trade between BRI countries and China is endogenous, as China is more likely to invest in infrastructure in countries with which it has already established trade links. Our own analysis confirms this—countries in which China invests under the BRI initiative show abnormally high levels of cross-border trade and M&A activity with China even before the first BRI investment. Accordingly, we do caution against attributing causality to our findings on trade between BRI countries and China. Yet, our interest lies mainly in establishing how BRI investments affect trade between BRI countries and third-party countries (non-BRI, non-China trading partners). For example, we argue that the establishment of a BRI link between China and Indonesia constitutes a plausibly exogenous shock to trade between Indonesia and, say, Japan. Our set of “third party countries” excludes not only China, but also other countries that receive BRI investments, to limit confounding effects.

We first confirm that, following the initial BRI investment, recipient countries tend to trade more with China. The increase in yearly cross-border trade flows is significant, averaging about 2.2% of the recipient country’s GDP (we refer, in the remainder of the paper, to countries that receive BRI investments as “BRI countries”). Yet, we also find that trade with other countries declines—bilateral flows with each other country declines by an average of about 0.1% of the BRI country’s GDP. This offers the first evidence of a “zero-sum” effect, in which, following BRI investments, trade with China increases at the expense of trade with other countries. Further, we document that the impact is proportional to the size of the BRI investment (scaled by GDP).

In the next step, we disaggregate trade into imports and exports. Our findings reveal that both imports and exports respond similarly to BRI investments. Imports from and exports to China both increase post-BRI, while imports from and exports to other countries decline.

We note that one of the goals of the BRI is for China to project soft power. Accordingly,

we question whether the impact of these effects depends on the level of political alignment of the third-party country. In particular, we measure the percentage of China-concordant UN votes for third-party countries. Overall findings are consistent with our priors. Following BRI investments, BRI countries trade more with China and more with countries politically aligned with China, but less with other, non-aligned countries. These effects are particularly pronounced for exports from BRI countries, but political alignment of third-party countries affects imports into BRI countries less significantly.

Noting that political alignment is notoriously difficult to measure precisely, we construct another (inverse) proxy for alignment with China: we identify countries that have been recently visited by the Dalai Lama. Our findings are consistent: the level of trade (both imports and exports) between BRI countries and countries recently visited by the Dalai Lama is negatively related to the value of the BRI investment in the country of interest. In other words, the more China invests in the infrastructure of BRI countries, the more they trade with China, and the less they trade with countries visited by the Dalai Lama.

We next move on to explore a different type of cross-border capital flow—mergers and acquisitions (M&As). We note that M&As constitute a higher risk, longer-term commitment to entry in a foreign market. While trade decisions can be easily and quickly reversed, the acquisition of a foreign firm constitutes a longer-term commitment and entitles significant shutdown costs. In our analysis, we investigate both M&As inflowing into BRI countries and outflowing from them. Our main analytical framework relies once more on gravity models, in regression analysis. We focus on two annual volume metrics: the number and value of M&A transactions. In addition, we develop a proxy for the level of regulatory hurdles: for each transaction, we compute its time-to-completion as the number of days elapsed between transaction announcement and completion. We

consider a longer time-to-completion as a sign of greater regulatory scrutiny. When aggregating inflows, we include M&A transactions in which the target is a firm headquartered in the BRI country. Conversely, for outflows, we consider M&As in which the acquirer is a firm headquartered in the BRI country. Our analysis is, as before, based on country pairs; we exclude all pairs between BRI countries, focusing instead on flows between BRI countries and China, and between BRI countries and third-party countries.

We first document that both the number and value of M&A transactions inflowing into BRI countries decline post-BRI investments, with the exception of transactions originating from China, which increase in both count and value. We also note a decline in the time-to-completion for M&As originating from China, suggesting that BRI investments induce more favorable regulatory treatment. On the other side, we do not find similar effects on the outflowing side—the number and value of M&A transactions outflowing from BRI countries does not appear to be significantly affected—and, if anything, the volume of outflowing M&As to China appears negatively related to the size of the BRI investment in the country.

When we analyze the impact of partner-country alignment with China, we find that both the value and count of M&A transactions involving BRI countries is positively related to the degree of political alignment between the partner country and China. In other words, we find that the BRI decreases the level of M&A flows between BRI countries and third-party countries, but that the effect is reversed for flows with third-party countries that are politically aligned with China. Consistently, we find that cross-border M&A counts and value are lower for third party countries that have recently been visited by the Dalai Lama.

Extant literature has already documented that foreign infrastructure investments in general, and BRI investments in particular, increase trade between investor and recipient countries

(Donaldson, 2010; Celbis, Nijkamp, Poot, 2014). Our main contribution is showing that BRI investments do not “lift all boats”—rather, the increase in trade (both imports and exports) with China is accompanied by a decrease in trade with third-party countries. In more nuanced analysis, we document the impact of a BRI “network” that favors countries that are politically aligned with China.

Our secondary contribution is specific to the novel literature on the BRI. While most extant studies focus on the impact of the BRI on China or recipient countries (Yang et al, 2020; Du and Zhang, 2018; Zhang, Kandilov, and Walker, 2020; Herrero and Xu, 2017), we document its impact on the “rest of the world”—by highlighting that countries which do not participate in the initiative, and are not politically aligned with China, might see declining trade and capital flows with a network of countries accounting for approximately 40% of the World’s GDP.

The rest of the manuscript is structured as follows. Section 2 discusses the relevant literature, institutional detail, and hypotheses. Section 3 offers data and descriptive statistics. Section 4 discusses the core empirical analysis and findings. Section 5 concludes.

## **2. Literature Review, Institutional Detail, and Hypotheses**

### **2.1. Cross-border Trade**

International trade studies have, since the seminal study by Tinbergen (1962), relied on “gravity equations” to study trade flows. The general finding of this literature is that a variety of country-level factors, some not explicitly economic, affect the extent of trade between two countries. That is, while the size of the economies and level of development of the countries involved are prime determinants of the extent of trade, common culture (language and religion), geographic distance, and historical ties (colonial history in particular) also play significant roles. We accordingly adopt a variation of the classic gravity model of trade in our analysis, incorporating

the factors listed above.

More closely related to our investigation is a stream of the literature linking infrastructure to cross-border trade. As Celbis, Nijkamp, Poot (2014) describe in their survey article, the impact of infrastructure on trade has been the subject of a number of studies—the authors count and discuss 36 articles on the topic published between 1999 and 2012. The main findings of this stream of the literature, while nuanced, point to investment in infrastructure lowering both transaction and transportation costs, and, thus, leading to greater levels of cross-border trade. These effects appear particularly strong for infrastructure investments in developing countries. More recently, Donaubauer et al (2018) confirm these conclusions by documenting that better infrastructure leads to lower trade costs and to a consequent surge in cross-border trade, relative to domestic trade.

## **2.2. Cross-border Mergers and Acquisitions**

A number of studies have focused on the determinants of cross-border M&As (for example, Erel, Liao, and Weisbach, 2012; Karolyi and Taboada, 2015; Francis, Huang, and Khurana, 2015). Yet, we are not aware of any study focusing specifically on how infrastructure investments affect cross-border M&As.

## **2.3. Belt and Road Initiative**

Despite its recent inception, the BRI has already generated a stream of dedicated literature; Yang et al (2020) offer an interesting and recent overview of related studies. Most relevant to our study, a subset of this literature has focused on the impact of the BRI on cross-border trade and M&As. Du and Zhang (2018) investigate the impact of BRI on Chinese outbound cross-border M&As. They find an increase in M&A activity in BRI countries, with SOEs driving investments in infrastructure. Zhang, Kandilov, and Walker (2020) investigate the impact of BRI on Chinese outbound cross-border M&As. They find that both the number and value of such deals to BRI

countries increases, relative to non-BRI countries. Yet, the effect is specific to state-owned firms. They also find that BRI countries import more from China, but do not export more to it. Finally, Herrero and Xu (2017) discuss the impact of BRI on cross-border trade for participant countries. In a predictive exercise, they estimate that participant countries will benefit due to a projected reduction in transportation costs.

Compared to these studies, our focus differs in that we investigate the impact on trade and capital flows between BRI countries and third-party countries rather than exclusively documenting the impact on capital flows between BRI countries and China.

## **2.4. Hypotheses**

Our first hypothesis is that the BRI is associated with an increase in cross-border trade and M&A activity between BRI countries and China. Accordingly, we posit:

*H1: The BRI is associated with an increase in cross-border trade and M&A activity between BRI countries and China.*

In empirical analysis, we aim to test both temporal effects (whether trade and M&A activity with China increase after the first BRI investment in the country) and the relevance of the size of the investment (whether trade and M&A activity with China increase in proportion to the value of BRI investment in the country). We recognize that BRI investments are not random—and that our tests related to *H1* should be interpreted as correlative, rather than causal. Yet, our core analysis distinguishes between two competing hypotheses regarding cross-border trade and M&A activity between BRI and third-party countries. First, the “lifting all boats” hypothesis, predicts that infrastructure improvements in BRI countries will lower transaction and transportation costs affecting trade not only with China but with other countries as well, thus leading to an increase in trade between BRI countries and third-party countries:

*H2a: The BRI leads to an increase in cross-border trade and M&A activity between BRI countries and third-party countries.*

In contrast, the “zero-sum” hypothesis posits that BRI investments will divert trade and cross-border M&A activity from third-party countries towards China. Accordingly, we posit:

*H2b: The BRI leads to a decrease in cross-border trade and M&A activity between BRI countries and third-party countries.*

Finally, we question whether there is evidence of a political “BRI network” emerging, in which cross-border trade and M&A activities involving BRI countries tend to be diverted towards other countries politically aligned with China. Accordingly, we posit:

*H3: The BRI leads to an increase in cross-border trade and M&A activity between BRI countries and third-party countries that are politically aligned with China.*

We measure political alignment with two proxies. The first proxy is direct and relates to UN votes: we measure the percent of UN votes cast by the BRI country that are concordant with China’s votes. A higher proportion of concordant votes points to greater political alignment—hence, we expect an increase in cross-border trade and M&A activity between BRI countries and countries with a high proportion of concordant votes. The second proxy is inverse: we identify countries recently visited by the Dalai Lama as NOT politically aligned with China. Accordingly, we expect a decrease in cross-border trade and M&A activity between BRI countries and those recently visited by the Dalai Lama.

### **3. Data and Descriptive Statistics**

#### **3.1. BRI projects**

We obtain raw data on BRI projects from the American Enterprise Institute database “China Global Investment Tracker.” The version of the data we employ was downloaded on November

16, 2019 and includes transactions spanning January 2013 to December 2018. The dataset includes the year and month of investment inception, the name of the “Chinese Entity” involved, the value of the investment (in USD), the names of local partners, sector and subsector classifications, the name of the recipient country, and a binary variable identifying transactions that are part of the BRI. In total, the dataset spans 1,135 BRI projects in 110 countries, for a total value of approximately USD 625 bn. Here and in the remainder of the manuscript, all monetary figures are adjusted for inflation to “2018 USD.”

We offer a breakdown of investments in Table 1; we report the first year of BRI investment, as well as the number and the value of the cumulative BRI investment, by country. We note that the largest recipients are Pakistan (56 projects, for a total of USD 43.84 bn), Malaysia (51 projects, USD 29.8 bn), Singapore (51 projects, for a total of USD 29 bn), the Russian Federation (37 projects, USD 27.3 bn), and Indonesia (56 projects, USD 26 bn). For each of those countries, the first BRI investment took place in 2013. We also report the BRI investment as a proportion of GDP, by country. The highest ratio is achieved by Laos—the cumulative BRI investment over the years 2013-2018 equals 137% of the country’s GDP. As noted previously, that is clearly an outlier, but BRI investment is approximately 15% of GDP in Pakistan and 9% of GDP in Bangladesh, suggesting strong economic relevance in multiple countries.

\*\*\* Insert Table 1 Here \*\*\*

In Figure 1, we report the distribution of observations across years. Our sample spans six years (2013 to 2018). The first year, 2013, accounts for USD 32 bn of investment (54 projects), which then rapidly grows and stabilizes in the range of USD 110 to 130 bn (195 to 237 projects), approximately, in each of the following years.

\*\*\* Insert Figure 1 Here \*\*\*

### 3.2. Other data sources

In constructing our sample for empirical analysis, we start from the list of 110 countries that receive at least one BRI investment (“BRI countries”) over the period 2013 to 2018. For those countries, we endeavor to obtain bilateral trade and merger and acquisition (M&A) data. The bilateral data includes flows between all BRI and non-BRI countries. In other words, our main unit of analysis is at the yearly country-pair level; we include all pairs between BRI countries and non-BRI countries. In addition, we include all pairs between BRI countries and China.

We obtain trade related statistics (bilateral imports, exports, and total trade) from the International Monetary Fund’s Direction of Trade Statistics (DOTs) database. Data on mergers and acquisitions is from Thomson Reuters’ Securities Data Corporation (SDC) database. We exclude transactions whose status is “Rumors” or “Cancelled.” We further exclude all deals whose “type” is reported as either “Repurchase,” “Recapitalization,” “Spinoff,” “Self-tender,” “Leveraged Buyout,” or “Privatization.” Finally, we exclude deals in which the target or acquirer are in finance (SIC code between 6000 and 6999) or are utilities (SIC code between 4900 and 4999).

To identify countries “aligned with China,” we rely on two methodologies. First, we obtain data on country-level votes at the United Nations (UN) from a dataset described in Voeten (2013).<sup>3</sup> As in Voeten (2013), we construct a variable (*Alignment all votes*) measuring the average over the prior three years of the number of resolutions in the United Nations for which the country of interest’s vote matches China’s vote, divided by the total number of resolutions that year. In addition, we construct a similar second variable (*Alignment important votes*) which includes only resolutions identified in the dataset as “important.” As a second proxy for alignment with China, we identify countries that experienced a recent visit by the Dalai Lama, based on the official public

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<sup>3</sup> <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/LEJUQZ>.

schedule for His Holiness, the 14<sup>th</sup> Dalai Lama of Tibet.<sup>4</sup>

Data on country-level GDP and GDP per capita is from the World Development Indicators, Penn World Table. Finally, the other country-pair variables (*Common language*, *Colony*, *Common colony*, *Contiguous*, *Distance*, *Product surface*, and *Landlocked*) are all from Mayer and Zignago (2011). Full variable definitions and their sources are offered in Appendix Table A1.

### 3.3. Sample descriptive statistics

We present sample descriptive statistics in Table 2. In Panel A, we focus on continuous variables. We note that the total number of observations is 113,749 (year-country pairs). Of those, 17,806 (15.65% of the total) are “post-BRI”—that is, the BRI country in the pair has already received the first BRI investment. In 9,010 (7.92%) year-country pairs, the Dalai Lama has visited the partner country in the previous year; the count climbs to 19,914 (17.51%) if we expand the time window to the previous three years. In addition, 1,426 observations (1.25%) include contiguous country pairs, 19,419 (17.07%) include country pairs with the same common language, 11,684 (10.27%) involve country pairs with a common colonial history and 1,817 (1.60%) involve country pairs in which one country is a former colony of the other.

In Panel B, we present the mean, standard deviation, and various percentiles of the distribution of the continuous variables. While we refrain from discussing each variable in detail, we note that the mean cumulative BRI investment accounts for 1.6% of the GDP of the recipient country. The average bilateral level of exports equates 0.4% of the GDP of the exporting country; the average bilateral level of imports equates 0.5% of the GDP of the importing country. We further note that the average cross-border M&A inflow into BRI countries is USD 9.3 bn, while the average M&A outflow from a BRI country is USD 5.92 bn.

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<sup>4</sup> <https://www.dalailama.com/schedule>

\*\*\* Insert Table 2 Here \*\*\*

As a first insight into trade patterns, we compute, for each country, the proportion of total trade with China, with all other BRI countries, and with all other non-BRI countries, for both the year preceding the first BRI investment, and for the year following the first BRI investment. Proportions are based on trade volumes, in USD. We present our findings in Figure 2. Trade with China accounts for 7.9% of all trade for the average country in our sample; post-BRI, trade with China increases to 14.7% of all trade—in relative terms, trade volumes with China double. In contrast, trade with other BRI countries is virtually unaffected (it declines from 43.4% of all trade to 42.9%), while trade with non-BRI countries declines (from 49.2% to 41.9% of total trade). This analysis is purely univariate, but it suggests that the increase of trade with China following the BRI initiatives comes at the expense of trade with other non-BRI countries. We find similar patterns when we disaggregate total trade into imports and exports.

\*\*\* Insert Figure 2 Here \*\*\*

We also check for pre-BRI trends in trade data by investigating whether aggregate trade with China, with other BRI countries, and with other non-BRI countries, displays any significant time-trends prior to the first BRI investment. We present these pre-investment trends in Figure 3. We find that trade with China increases slightly between years  $t-5$  (trade with China averages 6% of GDP of the BRI-investment receiving country) to year  $t$  (the year of BRI investment, at 7.7% of GDP). In contrast, we find no significant patterns in trade with other countries. As we suspected, the pre-trend analysis indicates that trade with China might actually be leading the BRI initiative, which prevents us from attributing causality when analyzing the impact of the BRI on trade with China. On the other side, we note no time trend in trade with other countries prior to the BRI—in other words, reverse causality is not an issue and the BRI initiative is a plausibly exogenous shock

to trade between BRI countries and third-party countries.

\*\*\* Insert Figure 3 Here \*\*\*

#### 4. Empirical Analysis

Our first set of tests is based on regression analysis and the basic model we employ is based on a “gravity model” of trade Tinbergen (1962):

$$\begin{aligned} Trade/GDP_{i,j,t} = & \alpha + \beta \times Post\ BRI_{i,t-1} + \gamma \times China_j + \delta \times Post\ BRI_{i,t-1} \times China_j + \\ & \vec{\kappa} \times \overrightarrow{Country\ pair}_{i,j,t} + \lambda \times Year_t + \theta \times Country_i + \tau \times Country\ partner_j + \varepsilon_{i,j,t}. \end{aligned} \quad (1)$$

The subscripts  $i$  and  $j$  refer respectively to the country of interest (or, simply, “country”) and to the “paired” country in the model (the second country in the dyad, or “country  $j$ ”). The subscript  $t$  refers to the year of interest. The response variable is the monetary value of total trade between countries  $i$  and  $j$  during year  $t$ , scaled by the GDP of country  $i$ . In alternative specifications, we replace *Trade/GDP* with *Imports/GDP* and *Exports/GDP*, to investigate the impact on imports and exports distinctly. The main variable of interest is *Post BRI*—a binary country-year variable, set equal to one starting on the year following the first BRI investment in the country of interest. The variable *China* is a binary variable, set equal to one, when the “partner” country in the dyad is China. The vector  $\overrightarrow{Country\ pair}_{i,j,t}$  refers to a set of country-pair variables that prior literature has found related to bilateral trade flows: *Contiguous*, *Common language*, *Common colony*, *Colony*,  $\ln(Product\ GDP)$ ,  $\ln(Product\ GDP\ per\ capita)$ ,  $\ln(Distance)$ ,  $\ln(Product\ Surface)$ , and *Landlocked*—for full variable definitions, please refer to Appendix Table A1. In addition, the model includes fixed effects for year, country, and “partner” country. Standard errors are clustered at the country-level following Bertrand and Mullainathan (2003).

##### 4.1. Trade results

We present the results from our base model estimation in the first column in Table 3. The negative coefficient associated with *Post BRI* indicates that, following BRI investments, the volume of trade between the recipient country and other countries declines. The effect is statistically significant, but economically tiny, as the decline in trade flows is less than 0.1% of the country's GDP—yet, we note that this effect is on bilateral trade, not on total, aggregate, trade. On the other side, we find that trade between the recipient country and China, already abnormally high pre-BRI, increases even further after BRI investments. The effect is highly statistically significant and also economically meaningful—the increase in trade equal 2.2% of the country's GDP.

While we do not discuss control variables in detail, we note that the signs on coefficient estimates are, in general, in agreement with prior literature. The volume of trade is positively related with the two countries' GDP and GDP per capita, larger for contiguous countries, countries with a common language, and with a common colonial history, but negatively related to distance, to country size, and smaller for landlocked countries.

Next, we replicate the same type of analysis for exports and imports distinctly; we estimate similar models, but with different response variables: exports (from country  $i$  to country  $j$ ) scaled by GDP (for country  $i$ ) and imports (into country  $i$  from country  $j$ ) scaled by GDP (for country  $i$ ). We present results for exports and imports in columns 2 and 3 of Table 3, respectively. While the magnitude of the estimated coefficient varies across models, the signs of the estimates for the coefficients of interest are the same. Our results indicate that, following BRI investments, the recipient country's exports to China increase by 1.8% of GDP, while exports to other countries decline—the effect is however tiny. Similarly, following BRI investments, imports from China increase by 2.6% of GDP, but imports from other countries decline.

In a second set of tests, we replicate the analysis presented in columns 1, 2, and 3, but we

replace the binary variable *Post BRI* with *BRI investment*—a continuous variable measuring the cumulative value of BRI investment received by the BRI country, scaled by the BRI country’s GDP. The main findings are still the same: we document that bilateral cross-border trade (aggregate and disaggregated into imports and exports) is negatively related to the size of BRI investments—yet, cross-border trade with China is positively related to the size of BRI investment.

Overall, our first series of tests indicates that, after receiving BRI investments, recipient countries trade more with China, but less with other countries.

\*\*\* Insert Table 3 Here \*\*\*

#### **4.2. Trade and the BRI network**

One of the purposes of the BRI is to project soft power. Accordingly, we question whether BRI countries trade more with other countries politically aligned with China. To test this hypothesis, we proxy for political alignment with China by measuring the proportion of the country’s UN votes that are concordant with China’s votes—as discussed in Section 3, we construct two variables, based on alignment on all votes (*Align all*) and alignment on important votes (*Align important*). We add this variable to the model in separate specifications; in each case, we include an interaction between *BRI investment* and the alignment metric.

Our findings are presented in Table 4. When investigating bilateral trade flows, scaled by BRI country GDP, we first confirm the previous findings: BRI countries trade more with China, and less with other countries, in proportion to the cumulatively level of BRI investment. More interestingly, while BRI countries tend to trade less with countries aligned with China prior to BRI investments, the interaction between *BRI Investment* and *Aligned* is positive and highly statistically significant. In other words, BRI investments lead to BRI countries trading more with China and with countries aligned with China, but less with other, non-aligned, countries. The results are

similar regardless of whether we construct the alignment measure by using all UN votes, or those deemed “important.”

In subsequent analysis, we disaggregate trade flows by looking at exports and imports separately. For exports, we find results very similar to those regarding aggregate trade (columns 3 and 4). BRI investments lead to BRI countries exporting more to China and to countries aligned with China, but less to other, non-aligned, countries; we note, however, that the coefficients associated with the *BRI investment*  $\times$  *China* interaction are only marginally statistically significant (at the 10% level) when measuring alignment using all votes, and not significant at conventional level when measuring alignment using important votes.

Conversely, when analyzing imports into BRI countries, we find that BRI investments lead to BRI countries importing more from China but less from other, non-aligned countries. Conversely, the coefficients associated with the *BRI investment*  $\times$  *Aligned* are positive, but not statistically significant at conventional levels.

All of the tests presented in Table 4 are based on the continuous measure of BRI investment—the cumulative value of BRI projects. For brevity, we did not tabulate the tests employing the binary variable *Post BRI*, as they lead to similar insights. We take the same approach in the following tables.

\*\*\* Insert Table 4 Here \*\*\*

### **4.3. Trade and Dalai Lama visits**

The metric of political alignment used in the previous set of tests is inevitably noisy, as political alignment is impossible to measure with a great degree of precision. Accordingly, we perform an additional set of tests in which we replace the previous measure of political alignment with a binary variable identifying countries that have received an official visit by the Dalai Lama

over the previous year—and, in an additional specification, over the previous three years. We present our findings in Table 5.

For aggregate trade, we find evidence that the value of BRI investment is positively related to bilateral trade flows between BRI countries and China but negatively related to the level of bilateral trade flows with other countries. More importantly, the negative coefficients on the *BRI investment*  $\times$  *Dalai* interaction reveals that trade flows decline by an even greater amount in countries that were visited by the Dalai Lama.

When disaggregating our analysis and investigating exports and imports separately, we find similar results. For exports, we find that the value of BRI investment is positively related to exports from BRI countries to China but negatively related to the level of exports from BRI countries to those having recently been visited by the Dalai Lama. For imports, we find the value of BRI investment is positively related to imports from China but negatively related to imports from other countries—and the effect is stronger for countries recently visited by the Dalai Lama.

\*\*\* Insert Table 5 Here \*\*\*

#### **4.4. Scaling by “lagged” GDP**

Our trade metrics (total trade, imports, and exports) are all scaled by the BRI country’s contemporaneous GDP. This scale adjustment is necessary, as otherwise countries with large economies tend to dominate the analysis. But, if GDP is in turn affected by BRI investments, then we might be underestimating the impact of the BRI on trade (for example, a ballooning GDP would inflate the denominator of our trade metrics). To mitigate this problem, we re-estimate our main results presented in this section with a time-invariant GDP metric: for all years after year  $t$  (the year of the first BRI investment in the country), we use the GDP as of the end of calendar year  $t$  instead of the contemporaneous GDP, when scaling trade statistics. For brevity, we do not tabulate

our findings, but we note that they are largely unchanged.

#### **4.5. Mergers and acquisitions**

In our next set of tests, we turn to analyzing the impact of the BRI on cross-border M&A flows. For each BRI country, we compute, on a yearly basis, the number and value of inflowing M&A transactions (transactions in which the target is headquartered in the BRI country). In addition, in an attempt to measure the extent of regulatory barriers to trade, we compute a proxy for the number of days each transaction is pending as the difference (in days) between the completion and announcement dates of the transaction, as reported in SDC. We replicate similar metrics for outflowing M&As (transactions in which a firm headquartered in the BRI country is the acquirer).

The first set of tests we present mirrors the base model for trade, presented in Table 3, Panel A. The findings, presented in Table 6, Panel A, indicate that, after the first BRI investment, the inflow of M&As from China increases, both in terms of number of transactions and in the aggregate value of transactions, while the inflow of M&As from other countries declines (yet, we note that the coefficient estimates are only statistically significant at the 10% level). Consistently, the number of days to completion for these transactions involving Chinese acquirers and BRI-country-based targets also decreases, suggesting that regulators look at M&As from China more favorably post-BRI. Yet, we note that the number of days to completion is higher from M&As from China than for M&As from other countries prior to the BRI—and, despite the post-BRI decline, the number of days to completion for transactions originating from China remains abnormally high.

When we turn our attention to transactions in which the acquirer is based in a BRI country, we do not find statistically significant results. There is some indication that BRI countries acquire

Chinese targets more often than targets from other countries, but the finding pre-dates the first BRI investment. Overall, the BRI appears to increase M&A inflows from China, but to decrease M&A inflows from other countries; we do not observe an impact on M&A outflows from BRI countries.

In a second panel, we replicate the same analysis but with the continuous BRI investment metric replacing the Post BRI binary variable. The results here are less clear cut. When we focus on M&A inflows into BRI countries, we find that the number and value of transactions is negatively related to the size of the BRI investment. We further find that BRI countries experience greater M&A inflows from China, but, once again, these results pre-date the BRI. When we focus on transactions with BRI-country-headquartered acquirers, we find puzzling results—the number and target value of outflowing M&As with Chinese targets is negatively related to the size of the BRI investment.

Overall, the findings are nuanced. The BRI appears to lead to a greater inflow of transactions from China to target countries, lower levels of scrutiny for transactions originating from China, but lower levels of inflows from other countries. Yet, the effect appears to be triggered by the first BRI investment, and is not proportional to the size of the BRI investment. We find little evidence of an impact on outflowing M&As—but note a puzzling result indicating that the size of BRI investments is negatively related to M&A transactions outflowing from BRI countries to China.

\*\*\* Insert Table 6 Here \*\*\*

#### **4.6. Mergers and acquisitions and the BRI network**

As we have previously done for trade flows, we attempt to analyze whether the impact of the BRI on bilateral M&A flows depends on how aligned the second country in the dyad is with China. We present our findings in Table 7.

When focusing on M&A inflows, we document that the number and value of cross-border transactions originating from the BRI country is negatively related to the size of the BRI investment. We further find that the number and value of cross-border transactions originating from BRI countries is negatively related to the level of alignment with China prior to the inception of the BRI, but that, after the first BRI investment, this effect appears to change sign: the coefficients associated with the interaction *BRI investment*  $\times$  *Aligned* are positive and highly statistically significant. Yet, we also note a puzzling result, as the number and value of cross-border M&As originating from China and targeting firms in BRI countries is negatively related to the size of the BRI investment. In other words, while BRI countries experience abnormally high levels of M&A transactions inflowing from China prior to the BRI, after the initiative is implemented, transactions from China appear to decline in both count and value, while transactions from other countries aligned with China increase.

We next focus on M&A outflows. Our findings, presented in Table 7, Panel B, indicate that the count and value of outflowing transactions is positively related to the interaction *BRI investment*  $\times$  *Aligned*, but negatively related to *BRI investment* and *BRI investment*  $\times$  *China*. The overall findings presented in this section paint a nuanced picture. Overall, we find that the BRI leads to greater bilateral M&A flows between BRI countries and other countries aligned with China, but to smaller flows between BRI countries and other countries; somehow surprising, we find that, post BRI, M&A flows between BRI countries and China also decline.

\*\*\* Insert Table 7 Here \*\*\*

#### **4.7. Mergers and acquisitions and Dalai Lama visits**

The last step in our analysis focuses on visits by the Dalai Lama, as an inverse proxy for political alignment with China. We present our findings in Table 8.

We find that BRI countries experience abnormally high M&A inflows from China, but the finding predates the BRI. In contrast, M&A inflows from other countries are negatively related with the size of the BRI investment—and the findings are particularly strong for inflows originating from countries that have been visited by the Dalai Lama. We further document that time-to-completion of Chinese investments into BRI countries is abnormally high pre-BRI, but declines significantly post-BRI.

On the other hand, we find that M&A outflows are positively related to the size of BRI investments, but negatively related for investments targeting Chinese firms or firms headquartered in countries that were recently visited by the Dalai Lama. Time-to-completion for M&A deals originating from BRI countries and targeting Chinese firms is positively related to the size of the BRI investment.

\*\*\* Insert Table 8 Here \*\*\*

## **5. Discussion and Conclusion**

Extant literature has already documented that foreign infrastructure investments in general, and BRI investments in particular, increase trade between investor and recipient countries. We question whether such increases come at the expense of third-party countries, or whether foreign infrastructure investments have the ability to improve the trade environment between BRI countries and third-party (non-China, non-BRI) countries as well.

Our main contribution lies in showing that BRI investments do not “lift all boats”—rather, the increase in trade (both imports and exports) with China is accompanied by a drop in trade with third party countries. In more nuanced analyses, we show that, following BRI investments, BRI countries trade more with other countries that are politically aligned with China, but less with countries that have recently been visited by the Dalai Lama. Overall, our evidence points to both

a “zero-sum” nature of the impact of infrastructure on cross-border trade, and to the existence of a BRI “network” that favors countries that are politically aligned with China. We find similar results when focusing on cross-border M&As as well: both by count and value, inflowing and outflowing M&A transactions between BRI countries and third-party countries tend to decline post-BRI. The effect is particularly strong for transactions between BRI countries and countries recently visited by the Dalai Lama, but transactions between BRI countries and countries that are politically aligned with China tend to increase.

The main limitation of our study lies in the focus on a specific initiative, the BRI, originating from a single country, China, and spanning a relatively short time period of six years. Due to these limitations, we caution against over-generalizing our findings. We do, however, note that the BRI itself, due to its sheer scale and scope, should be of interest to both academics and practitioners.

## Appendix Table A1. Variable Definitions

Appendix Table A1 contains a list of the key variables employed in empirical analysis, their definition, and the source of the raw data used to construct the variables. Our analysis mostly relies on country-pairs. We refer to the first country in the pair as “country  $i$ ” and the second country in the pair as “country  $j$ .”

Variable	Definition	Source (raw data)
<i>Post BRI</i>	Binary variable, set equal to one, after the year of first BRI investment in country $i$	American Enterprise Institute
<i>BRI investment/GDP</i>	Real cumulative BRI investment (in 2018 USD), scaled by country $i$ real GDP (in 2018 USD)	American Enterprise Institute
<i>Trade/GDP</i>	Summation of real export and import (in 2018 USD) of country $i$ to/from country $j$ , scaled by country $i$ real GDP (in 2018 USD)	The Direction of Trade Statistics (DOTS) from IMF
<i>Exports/GDP</i>	Real export (in 2018 USD) of country $i$ to country $j$ scaled by country $i$ real GDP (in 2018 USD)	The Direction of Trade Statistics (DOTS) from IMF
<i>Imports/GDP</i>	Real import (in 2018 USD) of country $i$ from country $j$ scaled by country $i$ real GDP (in 2018 USD)	The Direction of Trade Statistics (DOTS) from IMF
<i>M&amp;A inflow value</i>	Natural log of one plus the dollar value (2018) of all M&As by any firm headquartered in country $j$ of any firm headquartered in country $i$ in year $t$	SDC
<i>M&amp;A inflow count</i>	Natural log of one plus the number of all M&As by any firm headquartered in country $j$ of any firm headquartered in country $i$ in year $t$	SDC
<i>M&amp;A inflow days-to-completion</i>	Natural log of one plus the average number of days elapsed between announcement and completion of all M&As by any firm headquartered in country $j$ of any firm headquartered in country $i$ in year $t$	SDC
<i>M&amp;A outflow value</i>	Natural log of one plus the dollar value (2018) of all M&As by any firm headquartered in country $i$ of any firm headquartered in country $j$ in year $t$	SDC
<i>M&amp;A outflow count</i>	Natural log of one plus the number of all M&As by any firm headquartered in country $i$ of any firm headquartered in country $j$ in year $t$	SDC
<i>M&amp;A outflow days-to-completion</i>	Natural log of one plus the averaged completion day of all M&As by any firm headquartered in country $i$ of any firm headquartered in country $j$ in year $t$	SDC

**Appendix Table A1. Variable Definitions – Continued**

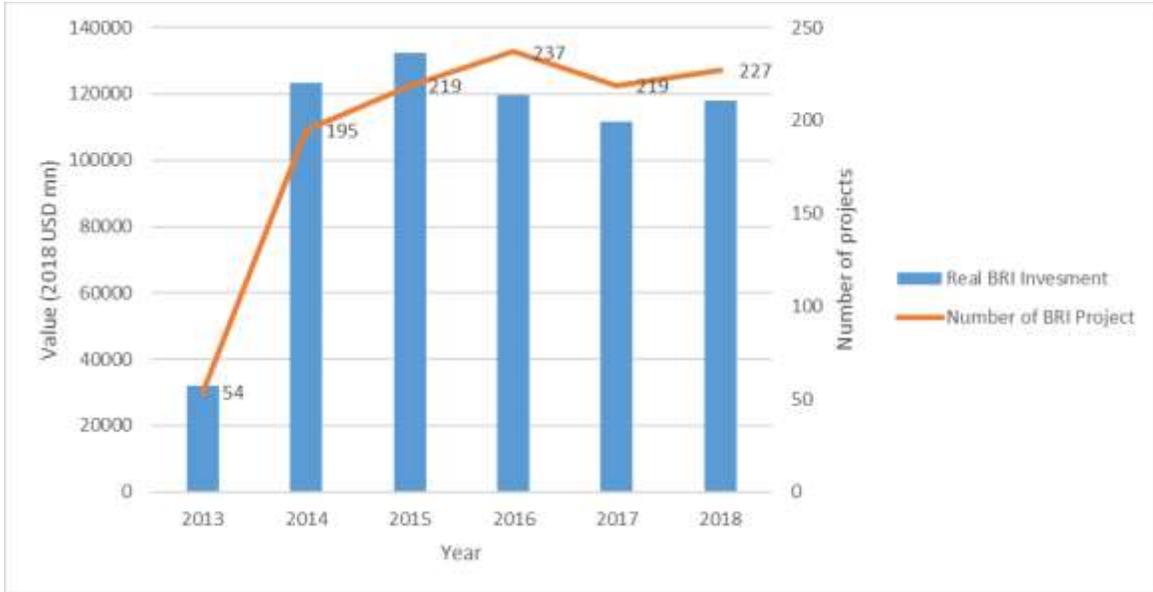
Variable	Definition	Source (raw data)
<i>China</i>	Binary variable, set equal to 1 if the partner country is China	DOTS, SDC
<i>Alignment all votes</i>	The average over the prior 3 years of the number of resolutions in the United Nations for which China's and country <i>j</i> 's vote was the same, divided by the total number of resolutions that year	Voeten (2013)
<i>Alignment important votes</i>	The average over the prior 3 years of the number of important resolutions in the United Nations for which China's and country <i>j</i> 's vote was the same, divided by the total number of important resolutions that year	Voeten (2013)
<i>Dalai Y1</i>	Binary variable, set equal to 1 if the country <i>j</i> has received a Dalai Lama visit during the previous year	<a href="https://www.dalailama.com/schedule">https://www.dalailama.com/schedule</a>
<i>Dalai Y1-3</i>	Binary variable, set equal to 1 if the country <i>j</i> has received a Dalai Lama visit during the previous year, or during either of the two preceding years	<a href="https://www.dalailama.com/schedule">https://www.dalailama.com/schedule</a>
<i>Ln (product GDP)</i>	Natural log of product of country-pair's real GDP (in 2018 USD)	World Development Indicators, Penn World Table
<i>Ln (product GDP per capita)</i>	Natural log of product of country-pair's GDP per capita (in 2018 USD)	World Development Indicators, Penn World Table
<i>Contiguous</i>	Binary variable, set equal to 1 if the countries in the pair are contiguous	Mayer and Zignago (2011)
<i>Common language</i>	Binary variable, set equal to 1 if the countries in the pair share common language	Mayer and Zignago (2011)
<i>Common colony</i>	Binary variable, set equal to 1 if the countries in the pair have a common colonizer post 1945	Mayer and Zignago (2011)
<i>Colony</i>	Binary variable, set equal to 1 if the countries in the pair had previously been in a colonial relationship	Mayer and Zignago (2011)
<i>Landlocked</i>	The number of landlocked countries in the country-pair (0, 1, or 2)	Mayer and Zignago (2011)

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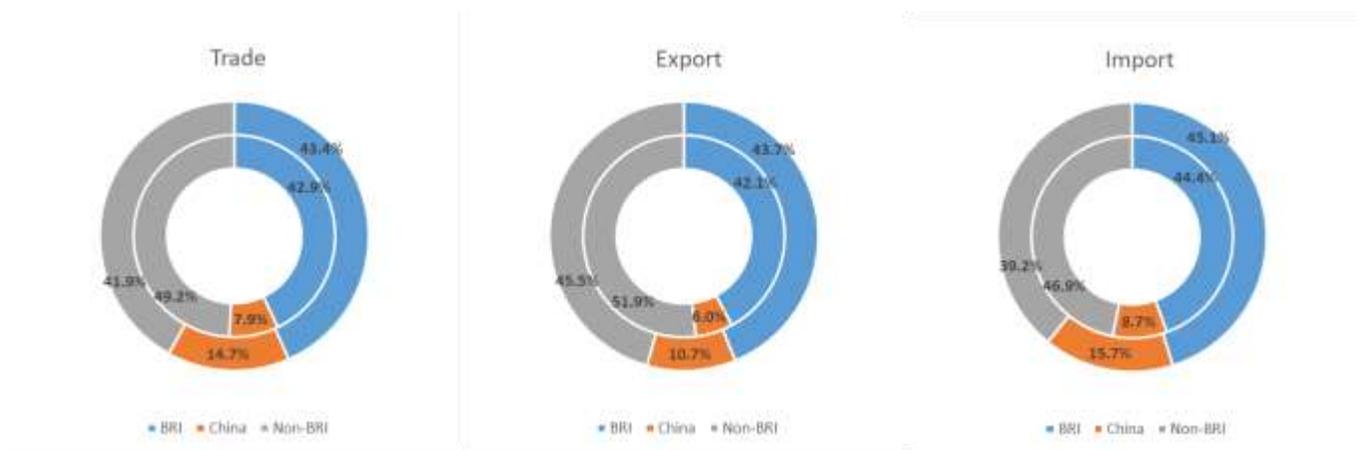
**Figure 1**

Figure 1 depicts the value of BRI investment and the number of BRI projects, by year.



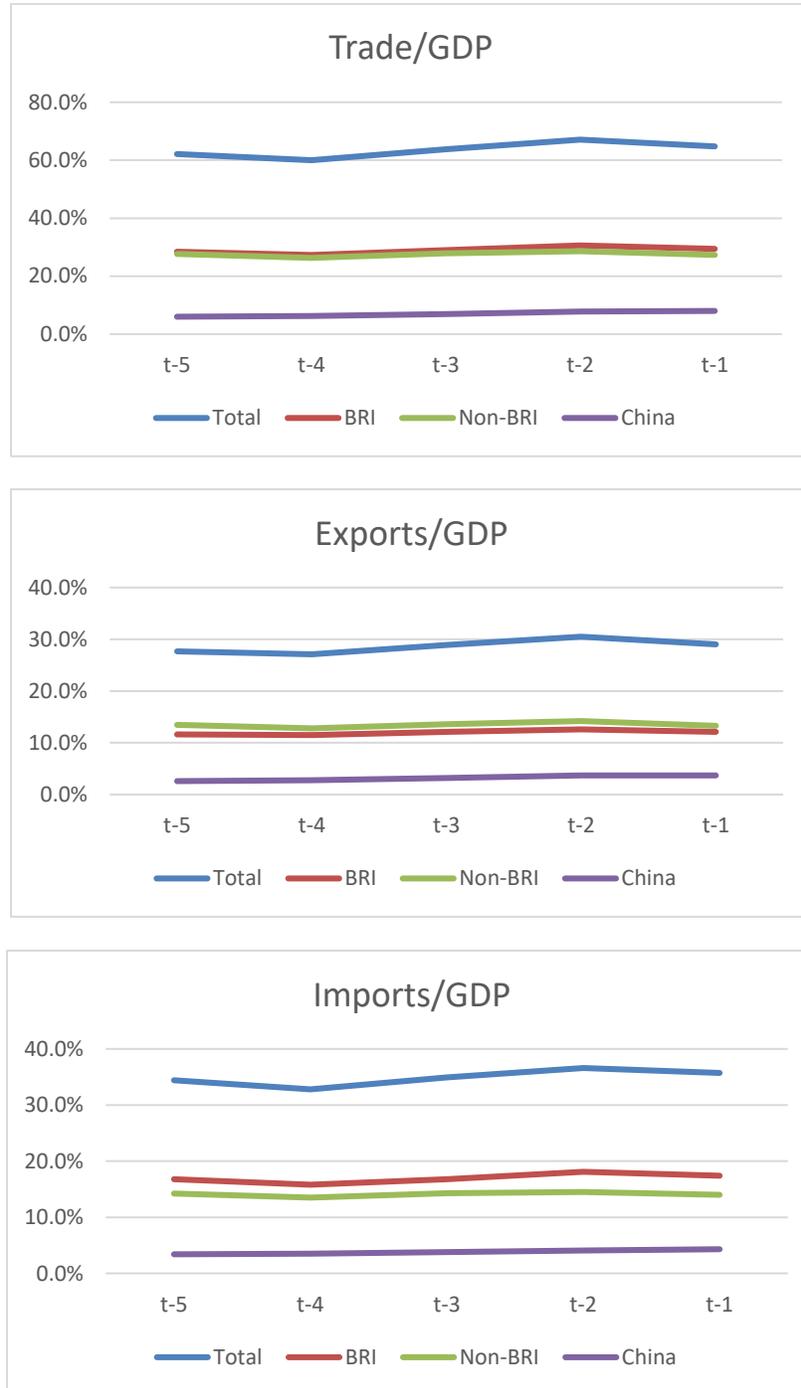
**Figure 2**

Figure 2 depicts the proportions of aggregate trade, exports, and imports (all in USD) with other BRI countries, non-BRI countries, and China for each BRI country for the calendar year preceding (interior ring) and for the calendar year following (exterior ring) the first BRI investment.



**Figure 3**

Figure 3 depicts average total trade, imports, and exports, each scaled by GDP. For each country in our sample we compute aggregate trade statistics with three groups: trading partners are classified as “China,” “BRI” (other countries receiving BRI investments), and “non-BRI” (third party countries that are neither China nor other countries receiving BRI investments). Figures for all countries in our sample are then averaged. The results are presented for years  $t-5$  to year  $t-1$ , with year  $t$  being the year of first BRI investment in the country of interest.



**Table 1. BRI Projects, by Country**

Table 1 reports, by country, the year of first BRI investment, the cumulative investment amount (over 2013-2018), the total number of BRI projects, and the ratio between the cumulative BRI investment and the country's 2018 GDP.

BRI country	Year of first BRI investment	Cumulative BRI investment (USD mn)	Total number of BRI projects	Cumulative BRI investment to 2018 GDP
Pakistan	2013	43,840	56	14.98%
Malaysia	2013	29,777	50	6.76%
Singapore	2013	29,359	51	7.65%
Russian Federation	2013	27,293	37	1.36%
Indonesia	2013	26,028	56	1.97%
Nigeria	2013	23,382	26	4.35%
Italy	2014	23,157	23	0.94%
United Arab Emirates	2014	21,816	38	4.76%
Bangladesh	2013	20,124	34	9.00%
Lao People's Democratic Republic	2013	19,947	34	137.38%
Other countries	-	360,003	730	7.07%
Total		624,726	1,135	

**Table 2. Descriptive Statistics**

This table reports descriptive statistics for our sample. Panel A focuses on binary variables and reports the count of instances in which the binary variable is equal to one, the proportion of instances in which the binary variable is equal to one, and the total number of observations. Panel B focuses on continuous variables and reports the mean, standard deviation, median, 1<sup>st</sup>, 25<sup>th</sup>, 50<sup>th</sup>, 75<sup>th</sup>, and 99<sup>th</sup> percentile of the variable's distribution, for the key variables of interest in our sample. Variables are defined in Appendix Table A1.

## Panel A. Binary variables

Variable	Count	Proportion	Observations
<b>BRI country characteristics</b>			
<i>Post-BRI</i>	17,806	15.65%	113,749
<b>Non-BRI country characteristics</b>			
<i>China</i>	2,157	1.90%	113,749
<i>Dalai YI</i>	9,010	7.92%	113,749
<i>Dalai YI-3</i>	19,914	17.51%	113,749
<b>Country-pair characteristics</b>			
<i>Contiguous</i>	1,426	1.25%	113,749
<i>Common language</i>	19,419	17.07%	113,749
<i>Common colony</i>	11,684	10.27%	113,749
<i>Colony</i>	1,817	1.60%	113,749

**Table 2. Descriptive Statistics - Continued**

Panel A. variables

Variable	Mean	Std. Dev	1th Pctl	25th Pctl	Median	75th Pctl	99th Pctl	Obs
<b>BRI variable</b>								
<i>BRI investment/GDP</i>	0.016	0.076	0	0	0	0	0.431	112,018
<b>Trade flow</b>								
<i>Trade/GDP</i>	0.008	0.029	0	0	0	0.004	0.131	87,486
<i>Exports/GDP</i>	0.004	0.021	0	0	0	0.002	0.077	71,916
<i>Imports/GDP</i>	0.005	0.016	0	0	0	0.003	0.071	79,497
<b>M&amp;A flow</b>								
<i>M&amp;A outflow value (USD mn)</i>	9.299	237.791	0	0	0	0	97.896	101,518
<i>M&amp;A outflow count</i>	0.061	0.513	0	0	0	0	2	101,518
<i>M&amp;A outflow days-to-completion</i>	76.086	128.286	0	0	35	98	679	2,663
<i>M&amp;A inflow value (USD mn)</i>	5.925	201.841	0	0	0	0	21.796	101,518
<i>M&amp;A inflow count</i>	0.035	0.413	0	0	0	0	1	101,518
<i>M&amp;A inflow days-to-completion</i>	65.11	159.257	0	0	28.333	76.25	649	1,488
<b>Non-BRI country</b>								
<i>Alignment all votes</i>	0.6	0.194	0.032	0.494	0.602	0.758	1	113,749
<i>Alignment important votes</i>	0.422	0.22	0.03	0.235	0.389	0.588	1	107,264
<b>Country-pair characteristics</b>								
<i>Ln (product GDP)</i>	48.764	3.791	40.514	45.929	48.663	51.768	56.451	106,643
<i>Ln (product GDP/capita)</i>	17.548	2.178	12.752	15.963	17.585	19.186	21.939	106,643
<i>Ln (distance)</i>	8.808	0.75	6.449	8.477	8.973	9.356	9.812	113,749
<i>Ln (product surface)</i>	22.861	3.908	12.28	20.46	23.446	25.616	30.022	113,749
<i>Landlocked</i>	0.386	0.559	0	0	0	1	2	113,749

**Table 3. Trade**

This table presents results from regression analysis based on the gravity model of trade described in Section 4. The unit of observation is a year-country pair. Complete variable definitions are in Appendix Table A1. Standard errors are adjusted for country-level clustering. Two-sided  $z$ -statistics are reported in parenthesis. \*\*\*, \*\*, and \* represent 1%, 5%, and 10% statistical significance levels respectively.

Variable	(1) <i>Trade/GDP</i>	(2) <i>EX/GDP</i>	(3) <i>IM/GDP</i>	(4) <i>Trade/GDP</i>	(5) <i>EX/GDP</i>	(6) <i>IM/GDP</i>
<i>Post BRI</i>	-0.001 (-3.370) <sup>***</sup>	-0.001 (-2.036) <sup>**</sup>	-0.001 (-2.958) <sup>***</sup>			
<i>BRI investment/GDP</i>				-0.004 (-3.193) <sup>***</sup>	-0.002 (-2.149) <sup>**</sup>	-0.003 (-2.977) <sup>***</sup>
<i>China</i>	0.048 (16.965) <sup>***</sup>	0.023 (9.333) <sup>***</sup>	0.027 (18.446) <sup>***</sup>	0.052 (18.546) <sup>***</sup>	0.024 (10.516) <sup>***</sup>	0.029 (18.957) <sup>***</sup>
<i>Post BRI × China</i>	0.03 (6.849) <sup>***</sup>	0.012 (3.758) <sup>***</sup>	0.019 (7.076) <sup>***</sup>			
<i>BRI investment/GDP × China</i>				0.15 (4.594) <sup>***</sup>	0.065 (2.424) <sup>**</sup>	0.084 (3.992) <sup>***</sup>
<i>Ln (product GDP)</i>	> -0.001 (-0.146)	-0.001 (-1.275)	0.001 (-1.112)	> -0.001 (-0.344)	-0.001 (-1.454)	0.001 (-0.977)
<i>Ln (product GDP/capita)</i>	0.008 (8.568) <sup>***</sup>	0.005 (6.279) <sup>***</sup>	0.004 (8.778) <sup>***</sup>	0.009 (9.702) <sup>***</sup>	0.006 (7.114) <sup>***</sup>	0.005 (9.685) <sup>***</sup>
<i>Ln (distance)</i>	-0.008 (-41.946) <sup>***</sup>	-0.004 (-34.899) <sup>***</sup>	-0.005 (-40.738) <sup>***</sup>	-0.008 (-42.121) <sup>***</sup>	-0.004 (-34.979) <sup>***</sup>	-0.005 (-40.908) <sup>***</sup>
<i>Common language</i>	0.003 (6.032) <sup>***</sup>	< 0.001 (-0.909)	0.003 (11.351) <sup>***</sup>	0.003 (6.173) <sup>***</sup>	< 0.001 (-1.013)	0.003 (11.481) <sup>***</sup>
<i>Contiguous</i>	0.027 (12.338) <sup>***</sup>	0.011 (9.465) <sup>***</sup>	0.015 (11.705) <sup>***</sup>	0.027 (12.284) <sup>***</sup>	0.011 (9.451) <sup>***</sup>	0.015 (11.673) <sup>***</sup>
<i>Landlocked</i>	0.004 (6.631) <sup>***</sup>	0.002 (4.038) <sup>***</sup>	0.003 (8.388) <sup>***</sup>	0.005 (7.586) <sup>***</sup>	0.002 (4.784) <sup>***</sup>	0.004 (9.089) <sup>***</sup>
<i>Ln (product surface)</i>	< 0.001 (-0.4)	0.001 (-1.323)	> -0.001 (-0.480)	< 0.001 (-0.531)	0.001 (-1.469)	> -0.001 (-0.458)
<i>Common colony</i>	-0.005 (-13.574) <sup>***</sup>	-0.002 (-6.879) <sup>***</sup>	-0.005 (-18.080) <sup>***</sup>	-0.005 (-13.532) <sup>***</sup>	-0.002 (-6.837) <sup>***</sup>	-0.005 (-18.051) <sup>***</sup>
<i>Colony</i>	0.021 (14.385) <sup>***</sup>	0.01 (10.571) <sup>***</sup>	0.011 (14.816) <sup>***</sup>	0.021 (14.454) <sup>***</sup>	0.01 (10.641) <sup>***</sup>	0.011 (14.769) <sup>***</sup>
<i>Constant</i>	-0.065 (-3.105) <sup>***</sup>	-0.018 (-0.945)	-0.055 (-4.498) <sup>***</sup>	-0.078 (-3.696) <sup>***</sup>	-0.023 (-1.281)	-0.066 (-5.036) <sup>***</sup>
Year FE	YES	YES	YES	YES	YES	YES
Country $i$ FE	YES	YES	YES	YES	YES	YES
Country $j$ FE	YES	YES	YES	YES	YES	YES
Observations	83,523	69,033	75,929	83,523	69,033	75,929
Adjusted R2	0.3023	0.1897	0.3461	0.3019	0.1898	0.3448

**Table 4. Trade and Political Alignment**

This table presents results from regression analysis based on the gravity model of trade described in Section 4. The unit of observation is a year-country pair. Complete variable definitions are in Appendix Table A1. The variable *Alignment* is computed using “all UN votes” in columns (1), (3), and (5) and “important votes” only in the other columns. Standard errors are adjusted for country-level clustering. Two-sided *z*-statistics are reported in parenthesis. \*\*\*, \*\*, and \* represent 1%, 5%, and 10% statistical significance levels respectively.

Variable	<i>Trade/GDP</i>		<i>EX/GDP</i>		<i>IM/GDP</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
	<i>All votes</i>	<i>Important votes</i>	<i>All votes</i>	<i>Important votes</i>	<i>All votes</i>	<i>Important votes</i>
<i>BRI investment</i>	-0.024 (-4.808)***	-0.011 (-3.544)***	-0.018 (-7.473)***	-0.008 (-3.440)***	-0.009 (-1.814)*	-0.005 (-1.775)*
<i>China</i>	0.053 (18.773)***	0.052 (17.474)***	0.025 (10.715)***	0.026 (9.809)***	0.03 (19.457)***	0.029 (19.348)***
<i>BRI investment</i> × <i>China</i>	0.135 (4.119)***	0.106 (3.292)***	0.052 (1.930)*	0.035 (-1.392)	0.079 (3.728)***	0.068 (3.121)***
<i>Alignment</i>	-0.004 (-3.568)***	-0.001 (-1.602)	-0.003 (-2.608)***	-0.001 (-1.971)**	-0.002 (-3.054)***	< 0.001 (-0.049)
<i>BRI investment</i> × <i>Alignment</i>	0.035 (4.548)***	0.021 (3.175)***	0.03 (7.645)***	0.017 (3.574)***	0.011 (-1.438)	0.007 (-1.165)
<i>Ln (product GDP)</i>	> -0.001 (-0.369)	> -0.001 (-0.371)	-0.001 (-1.536)	-0.001 (-1.512)	0.001 (-0.979)	0.001 (-1.253)
<i>Ln (product GDP/capita)</i>	0.009 (9.698)***	0.01 (9.148)***	0.006 (7.172)***	0.006 (6.523)***	0.005 (9.526)***	0.005 (9.606)***
<i>Ln (distance)</i>	-0.008 (-42.035)***	-0.008 (-40.784)***	-0.004 (-34.860)***	-0.004 (-33.725)***	-0.005 (-40.826)***	-0.005 (-39.993)***
<i>Common language</i>	0.003 (6.271)***	0.003 (6.017)***	< 0.001 (-1.131)	< 0.001 (-1.156)	0.003 (11.543)***	0.003 (11.477)***
<i>Contiguous</i>	0.027 (12.297)***	0.027 (11.961)***	0.011 (9.466)***	0.011 (9.276)***	0.015 (11.678)***	0.015 (11.424)***
<i>Landlocked</i>	0.004 (6.945)***	0.005 (7.700)***	0.002 (4.058)***	0.002 (4.410)***	0.003 (8.915)***	0.004 (10.037)***
<i>Ln (product surface)</i>	< 0.001 (-0.595)	< 0.001 (-0.52)	0.001 (-1.584)	0.001 (-1.511)	> -0.001 (-0.440)	> -0.001 (-0.735)
<i>Common colony</i>	-0.005 (-13.652)***	-0.005 (-13.375)***	-0.002 (-7.049)***	-0.002 (-6.948)***	-0.005 (-18.063)***	-0.005 (-18.369)***
<i>Colony</i>	0.021 (14.455)***	0.021 (14.279)***	0.01 (10.644)***	0.01 (10.570)***	0.011 (14.771)***	0.011 (14.671)***
<i>Constant</i>	-0.074 (-3.509)***	-0.081 (-3.708)***	-0.019 (-1.056)	-0.019 (-0.946)	-0.065 (-4.946)***	-0.074 (-6.123)***
Year FE	YES	YES	YES	YES	YES	YES
Country i FE	YES	YES	YES	YES	YES	YES
Country j FE	YES	YES	YES	YES	YES	YES
Observations	83,523	78,585	69,033	64,948	75,929	71,379
Adjusted R2	0.3022	0.3001	0.1901	0.1914	0.3449	0.3573

**Table 5. Trade and Dalai Lama Visits**

This table presents results from regression analysis based on the gravity model of trade described in Section 4. The unit of observation is a year-country pair. Complete variable definitions are in Appendix Table A1. The binary variable Dalai is set equal to 1 if the Dalai Lama has visited the “partner country” (country  $j$ ) during the preceding year in columns (1), (3), and (5), or during the preceding three years in the other columns. Standard errors are adjusted for country-level clustering. Two-sided  $z$ -statistics are reported in parenthesis. \*\*\*, \*\*, and \* represent 1%, 5%, and 10% statistical significance levels respectively.

Variable	<i>Trade/GDP</i>		<i>EX/GDP</i>		<i>IM/GDP</i>	
	(1) Dalai Y1	(2) Dalai Y1-3	(3) Dalai Y1	(4) Dalai Y1-3	(5) Dalai Y1	(6) Dalai Y1-3
<i>BRI investment/GDP</i>	-0.002 (-2.237)**	-0.001 (-0.870)	-0.001 (-1.098)	> -0.001 (-0.141)	-0.002 (-2.876)***	-0.001 (-2.017)**
<i>China</i>	0.052 (18.694)***	0.052 (18.650)***	0.024 (10.611)***	0.025 (10.627)***	0.029 (19.138)***	0.03 (19.012)***
<i>BRI investment/GDP</i> $\times$ <i>China</i>	0.149 (4.555)***	0.147 (4.507)***	0.064 (2.383)**	0.063 (2.348)**	0.084 (3.974)***	0.083 (3.938)***
<i>Dalai</i>	> -0.001 (-0.104)	< 0.001 (-0.814)	< 0.001 (-0.029)	< 0.001 (-0.427)	> -0.001 (-0.162)	< 0.001 (-0.838)
<i>BRI investment/GDP</i> $\times$ <i>Dalai</i>	-0.023 (-2.755)***	-0.016 (-4.429)***	-0.015 (-3.418)***	-0.009 (-3.978)***	-0.007 (-0.940)	-0.006 (-2.108)**
<i>Ln (product GDP)</i>	> -0.001 (-0.411)	> -0.001 (-0.499)	-0.001 (-1.506)	-0.001 (-1.555)	0.001 (-0.946)	< 0.001 (-0.874)
<i>Ln (product</i> <i>GDP/capita)</i>	0.009 (9.754)***	0.01 (9.784)***	0.006 (7.157)***	0.006 (7.165)***	0.005 (9.736)***	0.005 (9.762)***
<i>Ln (distance)</i>	-0.008 (-42.115)***	-0.008 (-42.089)***	-0.004 (-34.966)***	-0.004 (-34.934)***	-0.005 (-40.899)***	-0.005 (-40.872)***
<i>Common language</i>	0.003 (6.206)***	0.003 (6.229)***	< 0.001 (-1.047)	< 0.001 (-1.059)	0.003 (11.504)***	0.003 (11.519)***
<i>Contiguous</i>	0.027 (12.284)***	0.027 (12.284)***	0.011 (9.448)***	0.011 (9.448)***	0.015 (11.673)***	0.015 (11.673)***
<i>Landlocked</i>	0.005 (7.446)***	0.005 (7.519)***	0.002 (4.691)***	0.002 (4.715)***	0.004 (8.967)***	0.004 (9.119)***
<i>Ln (product surface)</i>	< 0.001 (-0.597)	< 0.001 (-0.675)	0.001 (-1.518)	0.001 (-1.562)	> -0.001 (-0.423)	> -0.001 (-0.366)
<i>Common colony</i>	-0.005 (-13.600)***	-0.005 (-13.658)***	-0.002 (-6.905)***	-0.002 (-6.949)***	-0.005 (-18.093)***	-0.005 (-18.120)***
<i>Colony</i>	0.021 (14.442)***	0.021 (14.452)***	0.01 (10.627)***	0.01 (10.639)***	0.011 (14.766)***	0.011 (14.768)***
<i>Constant</i>	-0.076 (-3.618)***	-0.074 (-3.532)***	-0.022 (-1.219)	-0.021 (-1.171)	-0.066 (-4.997)***	-0.065 (-4.940)***
Year FE	YES	YES	YES	YES	YES	YES
Country i FE	YES	YES	YES	YES	YES	YES
Country j FE	YES	YES	YES	YES	YES	YES
Observations	83,523	83,523	69,033	69,033	75,929	75,929
Adjusted R2	0.3021	0.3021	0.1899	0.1899	0.3448	0.3449

**Table 6. M&A Inflows and Outflows**

This table presents results from regression analysis based on the gravity model of trade described in Section 4. The unit of observation is a year-country pair. Complete variable definitions are in Appendix Table A1. “Inflows” and “outflows” refer to M&A transactions; “inflow days” and “outflow days” refer to days-to-completion (average days between announcement and completion). Standard errors are adjusted for country-level clustering. Two-sided *z*-statistics are reported in parenthesis. \*\*\*, \*\*, and \* represent 1%, 5%, and 10% statistical significance levels respectively.

**Panel A. Post BRI**

Variable	(1) <i>Inflow value</i>	(2) <i>Inflow count</i>	(3) <i>Inflow days</i>	(4) <i>Outflow value</i>	(5) <i>Outflow count</i>	(6) <i>Outflow days</i>
<i>Post BRI</i>	-0.074 (-1.784)*	-0.004 (-1.694)*	0.155 (-0.789)	0.053 (1.712)*	0.002 (-1.23)	-0.336 (-1.207)
<i>China</i>	0.461 (1.687)*	0.03 (1.931)*	2.546 (2.166)**	0.429 (1.946)*	0.037 (2.947)***	-0.177 (-0.108)
<i>Post BRI × China</i>	1.55 (4.331)***	0.098 (4.374)***	-0.789 (-1.918)*	-0.143 (-0.646)	-0.004 (-0.194)	0.125 (-0.205)
<i>Ln (product GDP)</i>	0.233 (2.341)**	0.011 (1.934)*	0.221 (-0.359)	0.067 (-0.849)	0.006 (-1.367)	0.083 (-0.108)
<i>Ln (product GDP/capita)</i>	-0.085 (-0.878)	> -0.001 (-0.090)	0.578 (-0.861)	-0.03 (-0.384)	-0.006 (-1.390)	-0.154 (-0.174)
<i>Ln (distance)</i>	-0.475 (-23.943)***	-0.031 (-22.169)***	-0.088 (-1.244)	-0.286 (-18.464)***	-0.019 (-16.387)***	-0.009 (-0.093)
<i>Common language</i>	0.081 (2.121)**	0.005 (1.954)*	0.354 (2.165)**	0.153 (5.022)***	0.016 (7.176)***	0.207 (-1.078)
<i>Contiguous</i>	0.843 (4.939)***	0.027 (2.846)***	-0.098 (-0.409)	0.606 (4.332)***	0.028 (3.232)***	-0.098 (-0.336)
<i>Landlocked</i>	0.002 (-0.035)	0.001 (-0.345)	-1.661 (-0.314)	-0.132 (-2.786)***	-0.007 (-2.511)**	-1.094 (-0.794)
<i>Ln (product surface)</i>	-0.126 (-1.856)*	-0.006 (-1.460)	-0.3 (-0.235)	-0.003 (-0.061)	-0.002 (-0.581)	0.823 (-0.553)
<i>Common colony</i>	0.163 (4.774)***	0.008 (3.897)***	-0.361 (-0.868)	-0.027 (-0.958)	-0.007 (-3.627)***	0.599 (-1.182)
<i>Colony</i>	0.806 (4.926)***	0.06 (5.548)***	0.057 (-0.317)	0.45 (3.827)***	0.025 (3.489)***	-0.093 (-0.357)
<i>Constant</i>	-2.97 (-1.424)	-0.125 (-1.048)	-11.159 (-0.570)	-0.111 (-0.069)	0.016 (-0.167)	-21.121 (-1.414)
Year FE	YES	YES	YES	YES	YES	YES
Country <i>i</i> FE	YES	YES	YES	YES	YES	YES
Country <i>j</i> FE	YES	YES	YES	YES	YES	YES
Observations	95,761	95,761	2,661	95,761	95,761	1,486
Adjusted R2	0.1616	0.1651	0.0958	0.1411	0.1464	0.0665

**Table 6. M&A Inflows and Outflows – Continued**

**Panel B. BRI Investment/GDP**

Variable	(1) <i>Inflow value</i>	(2) <i>Inflow count</i>	(3) <i>Inflow days</i>	(4) <i>Outflow value</i>	(5) <i>Outflow count</i>	(6) <i>Outflow days</i>
<i>BRI investment/GDP</i>	-0.361 (-4.149) <sup>***</sup>	-0.017 (-3.311) <sup>***</sup>	0.892 (-0.443)	0.036 (-0.759)	0.004 (-1.353)	-8.777 (-2.134) <sup>**</sup>
<i>China</i>	0.78 (2.899) <sup>***</sup>	0.05 (3.261) <sup>***</sup>	2.32 (2.024) <sup>**</sup>	0.4 (1.852) <sup>*</sup>	0.038 (3.054) <sup>***</sup>	-0.671 (-0.434)
<i>BRI investment/GDP × China</i>	-0.646 (-0.877)	-0.027 (-0.697)	-18.128 (-2.832) <sup>***</sup>	-2.005 (-6.745) <sup>***</sup>	-0.142 (-6.029) <sup>***</sup>	24.995 (2.778) <sup>***</sup>
<i>Ln (product GDP)</i>	0.243 (2.513) <sup>**</sup>	0.011 (2.089) <sup>**</sup>	0.282 (-0.449)	0.087 (-1.133)	0.007 (-1.6)	0.159 (-0.208)
<i>Ln (product GDP/capita)</i>	0.016 (-0.169)	0.006 (-1.087)	0.494 (-0.734)	-0.034 (-0.448)	-0.005 (-1.268)	-0.362 (-0.419)
<i>Ln (distance)</i>	-0.477 (-24.002) <sup>***</sup>	-0.031 (-22.192) <sup>***</sup>	-0.084 (-1.184)	-0.286 (-18.439) <sup>***</sup>	-0.019 (-16.390) <sup>***</sup>	-0.011 (-0.119)
<i>Common language</i>	0.081 (2.131) <sup>**</sup>	0.005 (1.964) <sup>**</sup>	0.361 (2.197) <sup>**</sup>	0.152 (5.002) <sup>***</sup>	0.016 (7.162) <sup>***</sup>	0.188 (-0.975)
<i>Contiguous</i>	0.859 (5.024) <sup>***</sup>	0.028 (2.938) <sup>***</sup>	-0.063 (-0.266)	0.615 (4.396) <sup>***</sup>	0.029 (3.317) <sup>***</sup>	-0.091 (-0.310)
<i>Landlocked</i>	0.082 (-1.403)	0.006 (1.794) <sup>*</sup>	-1.767 (-0.336)	-0.118 (-2.475) <sup>**</sup>	-0.007 (-2.092) <sup>**</sup>	-1.373 (-1.053)
<i>Ln (product surface)</i>	-0.138 (-2.093) <sup>**</sup>	-0.006 (-1.685) <sup>*</sup>	-0.36 (-0.281)	-0.017 (-0.334)	-0.002 (-0.809)	0.875 (-0.605)
<i>Common colony</i>	0.159 (4.658) <sup>***</sup>	0.008 (3.777) <sup>***</sup>	-0.354 (-0.850)	-0.027 (-0.978)	-0.007 (-3.652) <sup>***</sup>	0.636 (-1.253)
<i>Colony</i>	0.806 (4.927) <sup>***</sup>	0.06 (5.548) <sup>***</sup>	0.057 (-0.313)	0.451 (3.836) <sup>***</sup>	0.025 (3.500) <sup>***</sup>	-0.085 (-0.327)
<i>Constant</i>	-4.741 (-2.326) <sup>**</sup>	-0.231 (-1.995) <sup>**</sup>	-11.19 (-0.575)	-0.654 (-0.411)	-0.014 (-0.148)	-22.421 (-1.544)
Year FE	YES	YES	YES	YES	YES	YES
Country <i>i</i> FE	YES	YES	YES	YES	YES	YES
Country <i>j</i> FE	YES	YES	YES	YES	YES	YES
Observations	95,761	95,761	2,661	95,761	95,761	1,486
Adjusted R2	0.161	0.1644	0.0965	0.1411	0.1465	0.0685

**Table 7. M&A Inflows and Outflows and Political Alignment**

This table presents results from regression analysis based on the gravity model of trade described in Section 4. The unit of observation is a year-country pair. Complete variable definitions are in Appendix Table A1. The variable *Alignment* is computed using “all UN votes” in columns (1), (3), and (5) and “important votes” only in the other columns. “Inflows” and “outflows” refer to M&A transactions; “inflow days” and “outflow days” refer to days-to-completion (average days between announcement and completion). Standard errors are adjusted for country-level clustering. Two-sided z-statistics are reported in parenthesis. \*\*\*, \*\*, and \* represent 1%, 5%, and 10% statistical significance levels respectively.

**Panel A. M&A Inflows into BRI Countries**

Variable	<i>Inflow value</i>		<i>Inflow count</i>		<i>Inflow days-to-completion</i>	
	(1) <i>All votes</i>	(2) <i>Important votes</i>	(3) <i>All votes</i>	(4) <i>Important votes</i>	(5) <i>All votes</i>	(6) <i>Important votes</i>
<i>BRI investment/GDP</i>	-3.845 (-11.770)***	-1.768 (-8.100)***	-0.232 (-11.605)***	-0.101 (-7.877)***	8.282 (1.777)*	0.291 (-0.059)
<i>China</i>	0.924 (3.408)***	0.78 (2.673)***	0.059 (3.811)***	0.054 (3.271)***	2.674 (1.789)*	2.42 (-1.571)
<i>BRI investment/GDP</i> × <i>China</i>	-3.117 (-4.127)***	-2.958 (-3.085)***	-0.18 (-4.545)***	-0.166 (-3.417)***	-5.789 (-0.563)	-19.946 (-1.563)
<i>Aligned</i>	-0.215 (-2.778)***	-0.197 (-2.884)***	-0.013 (-2.774)***	-0.014 (-3.718)***	-0.342 (-0.308)	0.487 (-0.457)
<i>BRI investment</i> × <i>Alignment</i>	5.984 (12.135)***	3.8 (8.676)***	0.371 (12.121)***	0.229 (8.897)***	-20.348 (-1.569)	5.705 (-0.377)
<i>Ln (product GDP)</i>	0.209 (2.158)**	0.262 (2.549)**	0.009 (1.698)*	0.011 (1.912)*	0.328 (-0.522)	0.291 (-0.428)
<i>Ln (product GDP/capita)</i>	0.029 (-0.298)	-0.003 (-0.031)	0.007 (-1.234)	0.006 (-0.982)	0.498 (-0.739)	0.71 (-0.966)
<i>Ln (distance)</i>	-0.474 (-23.858)***	-0.474 (-23.211)***	-0.031 (-22.073)***	-0.031 (-21.506)***	-0.084 (-1.191)	-0.072 (-0.974)
<i>Common language</i>	0.088 (2.312)**	0.079 (2.020)**	0.005 (2.136)**	0.005 (1.800)*	0.344 (2.091)**	0.292 (1.723)*
<i>Contiguous</i>	0.863 (5.050)***	0.864 (4.894)***	0.028 (2.967)***	0.029 (2.912)***	-0.061 (-0.257)	-0.023 (-0.093)
<i>Landlocked</i>	0.064 (-1.076)	0.09 (-1.468)	0.005 (-1.437)	0.006 (1.744)*	-3.255 (-0.556)	-2.824 (-0.477)
<i>Ln (product surface)</i>	-0.113 (-1.711)*	-0.15 (-2.158)**	-0.005 (-1.265)	-0.006 (-1.541)	-0.687 (-0.493)	-0.535 (-0.374)
<i>Common colony</i>	0.149 (4.371)***	0.164 (4.673)***	0.007 (3.489)***	0.008 (3.918)***	-0.28 (-0.664)	-0.429 (-0.987)
<i>Colony</i>	0.805 (4.926)***	0.815 (4.832)***	0.06 (5.547)***	0.06 (5.377)***	0.056 (-0.306)	0.082 (-0.436)
<i>Constant</i>	-3.819 (-1.867)*	-4.959 (-2.309)**	-0.174 (-1.497)	-0.216 (-1.767)*	-3.896 (-0.153)	-10.788 (-0.460)
Year FE	YES	YES	YES	YES	YES	YES
Country <i>i</i> FE	YES	YES	YES	YES	YES	YES
Country <i>j</i> FE	YES	YES	YES	YES	YES	YES
Observations	95,761	90,460	95,761	90,460	2,661	2,506
Adjusted R2	0.1615	0.1607	0.1649	0.1641	0.0964	0.0971

**Table 7. M&A Inflows and Outflows and Political Alignment – Continued**

**Panel B. M&A Outflows from BRI Countries**

Variable	<i>Outflow value</i>		<i>Outflow count</i>		<i>Outflow days-to-completion</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
	<i>All votes</i>	<i>Important votes</i>	<i>All votes</i>	<i>Important votes</i>	<i>All votes</i>	<i>Important votes</i>
<i>BRI investment/GDP</i>	-2.042	-0.723	-0.12	-0.04	-10.966	-17.771
	(-12.739) <sup>***</sup>	(-6.395) <sup>***</sup>	(-11.612) <sup>***</sup>	(-5.802) <sup>***</sup>	(-0.878)	(-1.296)
<i>China</i>	0.483	0.518	0.043	0.04	-1.21	-0.689
	(2.227) <sup>**</sup>	(2.215) <sup>**</sup>	(3.441) <sup>***</sup>	(3.017) <sup>***</sup>	(-0.634)	(-0.342)
<i>BRI investment/GDP × China</i>	-3.481	-3.422	-0.231	-0.227	22.446	10.262
	(-11.169) <sup>***</sup>	(-9.229) <sup>***</sup>	(-9.423) <sup>***</sup>	(-8.196) <sup>***</sup>	(-1.552)	(-0.309)
<i>Aligned</i>	-0.106	-0.057	-0.007	-0.003	0.65	-0.231
	(-1.834) <sup>*</sup>	(-1.058)	(-1.865) <sup>*</sup>	(-0.997)	(-0.449)	(-0.182)
<i>BRI investment × Alignment</i>	3.57	1.993	0.213	0.115	4.061	28.664
	(13.847) <sup>***</sup>	(7.988) <sup>***</sup>	(12.673) <sup>***</sup>	(7.483) <sup>***</sup>	(-0.184)	(-0.659)
<i>Ln (product GDP)</i>	0.065	0.064	0.005	0.007	0.171	0.382
	(-0.849)	(-0.782)	(-1.29)	(-1.498)	(-0.222)	(-0.452)
<i>Ln (product GDP/capita)</i>	-0.026	-0.011	-0.005	-0.006	-0.364	-0.538
	(-0.334)	(-0.137)	(-1.151)	(-1.262)	(-0.418)	(-0.573)
<i>Ln (distance)</i>	-0.284	-0.289	-0.018	-0.019	-0.009	-0.001
	(-18.322) <sup>***</sup>	(-18.046) <sup>***</sup>	(-16.294) <sup>***</sup>	(-15.989) <sup>***</sup>	(-0.097)	(-0.007)
<i>Common language</i>	0.156	0.152	0.016	0.016	0.189	0.183
	(5.135) <sup>***</sup>	(4.850) <sup>***</sup>	(7.266) <sup>***</sup>	(6.978) <sup>***</sup>	(-0.983)	(-0.923)
<i>Contiguous</i>	0.618	0.627	0.029	0.029	-0.085	-0.013
	(4.415) <sup>***</sup>	(4.336) <sup>***</sup>	(3.335) <sup>***</sup>	(3.228) <sup>***</sup>	(-0.290)	(-0.044)
<i>Landlocked</i>	-0.127	-0.112	-0.007	-0.006	-1.147	-0.671
	(-2.613) <sup>***</sup>	(-2.243) <sup>**</sup>	(-2.258) <sup>**</sup>	(-1.973) <sup>**</sup>	(-0.805)	(-0.488)
<i>Ln (product surface)</i>	-0.002	-0.004	-0.001	-0.002	1.161	0.708
	(-0.037)	(-0.068)	(-0.487)	(-0.771)	(-0.73)	(-0.426)
<i>Common colony</i>	-0.033	-0.033	-0.008	-0.008	0.633	0.699
	(-1.191)	(-1.134)	(-3.827) <sup>***</sup>	(-3.710) <sup>***</sup>	(-1.236)	(-1.299)
<i>Colony</i>	0.45	0.45	0.025	0.025	-0.084	-0.172
	(3.835) <sup>***</sup>	(3.741) <sup>***</sup>	(3.498) <sup>***</sup>	(3.325) <sup>***</sup>	(-0.321)	(-0.635)
<i>Constant</i>	-0.102	-0.227	0.019	-0.004	-30.966	-26.858
	(-0.064)	(-0.135)	(-0.189)	(-0.043)	(-1.289)	(-1.372)
Year FE	YES	YES	YES	YES	YES	YES
Country <i>i</i> FE	YES	YES	YES	YES	YES	YES
Country <i>j</i> FE	YES	YES	YES	YES	YES	YES
Observations	95,761	90,460	95,761	90,460	1,486	1,411
Adjusted R2	0.1414	0.1417	0.1468	0.1464	0.0673	0.0667

**Table 8. M&A Inflows and Outflows and Dalai Lama Visits**

This table presents results from regression analysis based on the gravity model of trade described in Section 4. The unit of observation is a year-country pair. Complete variable definitions are in Appendix Table A1. The binary variable Dalai is set equal to 1 if the Dalai Lama has visited the “partner country” (country  $j$ ) during the preceding year in columns (1), (3), and (5), or during the preceding three years in the other columns. “Inflows” and “outflows” refer to M&A transactions. Standard errors are adjusted for country-level clustering. Two-sided  $z$ -statistics are reported in parenthesis. \*\*\*, \*\*, and \* represent 1%, 5%, and 10% statistical significance levels respectively.

**Panel A. M&A Inflows into BRI Countries**

Variable	<i>Inflow value</i>		<i>Inflow count</i>		<i>Inflow days-to completion</i>	
	(1) Dalai Y1	(2) Dalai Y1-3	(3) Dalai Y1	(4) Dalai Y1-3	(5) Dalai Y1	(6) Dalai Y1-3
<i>BRI investment/GDP</i>	-0.227 (-2.615)***	-0.032 (-0.375)	-0.008 (-1.663)*	0.003 (-0.564)	1.116 (-0.546)	2.646 (-1.367)
<i>China</i>	0.822 (3.053)***	0.873 (3.233)***	0.053 (3.428)***	0.057 (3.679)***	2.683 (2.306)**	2.685 (2.306)**
<i>BRI investment/GDP</i> $\times$ <i>China</i>	-0.798 (-1.085)	-0.984 (-1.339)	-0.036 (-0.947)	-0.047 (-1.241)	-19.367 (-2.991)***	-20.886 (-3.201)***
<i>Dalai</i>	0.122 (2.003)**	0.102 (2.323)**	0.008 (2.086)**	0.009 (3.367)***	0.324 (2.689)***	0.304 (2.605)***
<i>BRI investment/GDP</i> $\times$ <i>Dalai</i>	-3.03 (-7.700)***	-2.29 (-9.493)***	-0.188 (-7.890)***	-0.136 (-9.530)***	-0.97 (-0.182)	-5.033 (-1.380)
<i>Ln (product GDP)</i>	0.235 (2.429)**	0.222 (2.296)**	0.011 (1.996)**	0.01 (1.855)*	0.304 (-0.481)	0.255 (-0.407)
<i>Ln (product GDP/capita)</i>	0.025 (-0.262)	0.03 (-0.309)	0.006 (-1.19)	0.007 (-1.244)	0.516 (-0.759)	0.534 (-0.791)
<i>Ln (distance)</i>	-0.476 (-23.980)***	-0.475 (-23.940)***	-0.031 (-22.175)***	-0.031 (-22.145)***	-0.086 (-1.223)	-0.086 (-1.216)
<i>Common language</i>	0.082 (2.168)**	0.084 (2.199)**	0.005 (1.999)**	0.005 (2.026)**	0.366 (2.237)**	0.357 (2.180)**
<i>Contiguous</i>	0.858 (5.023)***	0.858 (5.024)***	0.028 (2.937)***	0.028 (2.937)***	-0.061 (-0.258)	-0.071 (-0.300)
<i>Landlocked</i>	0.087 (-1.496)	0.087 (-1.499)	0.006 (1.897)*	0.007 (2.026)**	-3.208 (-0.607)	-2.326 (-0.439)
<i>Ln (product surface)</i>	-0.134 (-2.037)**	-0.127 (-1.934)*	-0.006 (-1.624)	-0.006 (-1.545)	-0.665 (-0.516)	-0.449 (-0.349)
<i>Common colony</i>	0.156 (4.582)***	0.154 (4.512)***	0.008 (3.700)***	0.008 (3.636)***	-0.357 (-0.862)	-0.368 (-0.886)
<i>Colony</i>	0.804 (4.912)***	0.805 (4.925)***	0.06 (5.534)***	0.06 (5.547)***	0.056 (-0.306)	0.051 (-0.28)
<i>Constant</i>	-4.603 (-2.258)**	-4.26 (-2.087)**	-0.223 (-1.922)*	-0.201 (-1.729)*	-3.883 (-0.198)	-7.966 (-0.402)
Year FE	YES	YES	YES	YES	YES	YES
Country $i$ FE	YES	YES	YES	YES	YES	YES
Country $j$ FE	YES	YES	YES	YES	YES	YES
Observations	95,761	95,761	95,761	95,761	2,661	2,661
Adjusted R2	0.1613	0.1614	0.1647	0.1649	0.0984	0.0985

**Table 8. M&A Inflows and Outflows and Dalai Lama Visits – Continued**

**Panel B. M&A Outflows from BRI Countries**

Variable	<i>Outflow value</i>		<i>Outflow count</i>		<i>Outflow days</i>	
	(1) Dalai Y1	(2) Dalai Y1-3	(3) Dalai Y1	(4) Dalai Y1-3	(5) Dalai Y1	(6) Dalai Y1-3
<i>BRI investment/GDP</i>	0.134 (2.805) <sup>***</sup>	0.268 (5.407) <sup>***</sup>	0.01 (3.380) <sup>***</sup>	0.017 (5.769) <sup>***</sup>	-6.971 (-1.579)	-7.172 (-1.505)
<i>China</i>	0.435 (2.010) <sup>**</sup>	0.47 (2.173) <sup>**</sup>	0.04 (3.195) <sup>***</sup>	0.041 (3.328) <sup>***</sup>	-0.959 (-0.619)	-1.261 (-0.808)
<i>BRI investment/GDP</i> <i>× China</i>	-2.121 (-7.118) <sup>***</sup>	-2.246 (-7.548) <sup>***</sup>	-0.149 (-6.306) <sup>***</sup>	-0.156 (-6.603) <sup>***</sup>	24.436 (2.701) <sup>***</sup>	24.851 (2.600) <sup>***</sup>
<i>Dalai</i>	0.114 (2.541) <sup>**</sup>	0.085 (2.670) <sup>***</sup>	0.005 (1.953) <sup>*</sup>	0.004 (1.989) <sup>**</sup>	-0.316 (-1.939) <sup>*</sup>	-0.39 (-2.450) <sup>**</sup>
<i>BRI investment/GDP</i> <i>× Dalai</i>	-2.216 (-8.911) <sup>***</sup>	-1.611 (-12.719) <sup>***</sup>	-0.133 (-7.804) <sup>***</sup>	-0.092 (-11.152) <sup>***</sup>	-12.613 (-1.360)	-6.052 (-0.812)
<i>Ln (product GDP)</i>	0.081 -1.055	0.072 -0.939	0.006 -1.514	0.006 -1.399	0.098 -0.129	0.2 -0.264
<i>Ln (product</i> <i>GDP/capita)</i>	-0.027 (-0.348)	-0.025 (-0.321)	-0.005 (-1.176)	-0.005 (-1.142)	-0.32 (-0.371)	-0.448 (-0.520)
<i>Ln (distance)</i>	-0.286 (-18.419) <sup>***</sup>	-0.285 (-18.382) <sup>***</sup>	-0.019 (-16.373) <sup>***</sup>	-0.019 (-16.343) <sup>***</sup>	-0.01 (-0.108)	-0.015 (-0.157)
<i>Common language</i>	0.153 (5.036) <sup>***</sup>	0.154 (5.062) <sup>***</sup>	0.016 (7.190) <sup>***</sup>	0.016 (7.208) <sup>***</sup>	0.187 -0.972	0.188 -0.977
<i>Contiguous</i>	0.615 (4.395) <sup>***</sup>	0.615 (4.395) <sup>***</sup>	0.029 (3.315) <sup>***</sup>	0.029 (3.315) <sup>***</sup>	-0.107 (-0.366)	-0.101 (-0.350)
<i>Landlocked</i>	-0.112 (-2.341) <sup>**</sup>	-0.112 (-2.340) <sup>**</sup>	-0.006 (-2.015) <sup>**</sup>	-0.006 (-2.039) <sup>**</sup>	-1.276 (-0.972)	-1.44 (-1.107)
<i>Ln (product surface)</i>	-0.015 (-0.289)	-0.011 (-0.202)	-0.002 (-0.752)	-0.002 (-0.657)	1.238 -0.859	1.112 -0.778
<i>Common colony</i>	-0.029 (-1.048)	-0.031 (-1.107)	-0.007 (-3.711) <sup>***</sup>	-0.007 (-3.756) <sup>***</sup>	0.619 -1.221	0.636 -1.24
<i>Colony</i>	0.449 (3.821) <sup>***</sup>	0.45 (3.834) <sup>***</sup>	0.025 (3.486) <sup>***</sup>	0.025 (3.497) <sup>***</sup>	-0.094 (-0.362)	-0.078 (-0.298)
<i>Constant</i>	-0.563 (-0.353)	-0.307 (-0.193)	-0.008 (-0.085)	0.005 -0.047	-29.469 (-1.975) <sup>**</sup>	-28.976 (-2.005) <sup>**</sup>
Year FE	YES	YES	YES	YES	YES	YES
Country <i>i</i> FE	YES	YES	YES	YES	YES	YES
Country <i>j</i> FE	YES	YES	YES	YES	YES	YES
Observations	95,761	95,761	95,761	95,761	1,486	1,486
Adjusted R2	0.1414	0.1415	0.1467	0.1468	0.0713	0.0728