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Research on the Impact of International Public Opinion on China's Outward Foreign Direct Investment—A Case Study of Countries along the Belt and Road

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Abstract: *In recent years, as China's Belt and Road Initiative has been implemented, western countries have continuously created various public opinions to discredit the strategy. These opinions have obstructed the activities of direct foreign investment between China and the countries along the Belt and Road.This paper collects the average sentiment of public opinions in major countries along the Belt and Road from 2010 to 2018 using the GDELT sentiment database. It selects Malaysia, Laos, Egypt, and Kuwait as target countries for research, employing data analysis and case study methods to verify the correlation between international public opinion and Chinese enterprises' outward foreign direct investment in countries along the Belt and Road. It suggests better leveraging corporate public relations to mitigate public opinion risks, aiding Chinese enterprises in their "going global" efforts, thereby enhancing China's national image and soft power.*

Keywords: *GDELT sentiment database; Outward foreign direct investment; Belt and Road Initiative; International public opinion*

1. Introduction

In his book "The Twenty Years' Crisis," Carr categorizes power in international politics into military power, economic power, and the power to shape public opinion. These three different types of power are highly interdependent. Compared to the traditional focus on hard power comparisons between nations, the contemporary international socio-political and economic arenas place greater emphasis on the contest of soft power, particularly the power to shape public opinion.

Economic and social conditions have created unprecedentedly effective tools for manufacturing and guiding public opinion. In recent years, with the accelerating pace of media convergence worldwide, the social impact of public opinion has transcended the micro-level of enterprises and has affected the macro-level of international direct foreign investment. In terms of a country's outward foreign direct investment, public opinion has become a new type of non-tariff barrier and has emerged as an important means for countries to implement trade protection policies in recent years. Through widespread media dissemination, public opinion can exacerbate conflicts between nations and even provoke trade wars.[1]

The structure of this paper is as follows: the first part reviews the literature on public opinion and proposes research hypotheses. The second part explains the data sources and conducts case studies on relevant countries. The third part provides the conclusion.

The main contribution of this paper lies in its departure from existing literature, which primarily examines factors influencing direct foreign investment, such as per capita income, price indices, and economic growth rates. Instead, this paper incorporates public opinion as a major factor in the examination of its impact on a country's direct foreign investment.

2. Literature Review and Research Hypotheses

The academic debate on the influence of public opinion has never ceased. The most frequently discussed topics include the relationship between public opinion and foreign policy formulation (Barnett et al., 2017), the impact of public opinion on American politics (Borges, 2015; Gentzkow and

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Shapiro, 2011; Larcinese et al., 2011), the influence on U.S. presidential elections (Bernhardt et al., 2008; Dellavigna and Kaplan, 2007), and the effect on consumer decision-making (Goh et al., 2011). The mechanism through which public opinion exerts its influence lies in its subtle ability to change the cognition, emotions, and decision-making behavior of the audience during interpersonal communication. To a large extent, however, the agenda-setting functions of the media and government guide public opinion (McCombs and Shaw, 1972). Generally, the content the media decides to disclose is related to the public's views on political, economic, and cultural matters (Yong-Jian, 2006).

Research on the influence of public opinion on value perception suggests that public opinion affects consumers' perceptions of product value, especially under conditions of information asymmetry. When a country's media intentionally exaggerates negative news about another country, non-investment-related negative public opinion, such as issues related to human rights and environmental degradation, can also form opinion barriers, significantly impacting a country's outward foreign direct investment. [2]For example, Western media attacks on the Belt and Road Initiative (BRI) by using narratives such as “environmental destruction” and “dividing Europe” aim to weaken the favorable perception of China among countries along the BRI, thereby attempting to resist China's outward foreign direct investment.

Similarly, negative public opinion related to investment, such as denigrating the quality of foreign products, corporate reputation, and news about debt traps, can create invisible investment barriers for the investing country. For example, the concept of a debt trap in political economy refers to the scenario where loan interest rates exceed the growth rate of income, leading to an increasing rather than decreasing debt repayment burden, resulting in unsustainable government debt growth.[3]

The Belt and Road Initiative (BRI), proposed in 2013, started to attract increasing coverage from Western media by 2015, with reports highlighting the inability of BRI countries to repay the debts incurred from Chinese investments in local infrastructure. [4]In May 2016, the American magazine “Foreign Affairs” viewed China’s cooperation with Sri Lanka as a deliberate attempt to burden Sri Lanka with heavy debt to achieve its strategic interests, thus introducing the concept of the “Chinese (debt) trap.” This was the earliest association of the “Belt and Road” with the “debt trap” concept.

In early 2017, Brahma Chellaney, a researcher at the New Delhi Policy Research Centre, published an article titled “China’s Debt-Trap Diplomacy,” asserting that China uses the BRI to provide massive loans to strategically important developing countries, leading them into debt traps and making them subservient to China. In March 2018, the Washington-based Center for Global Development published a report titled “Examining the Debt Implications of the Belt and Road Initiative,” identifying eight BRI countries at risk of debt crises. This report had a significant international impact, with its viewpoints widely reprinted by major media, and the term “debt” increasingly used by mainstream international media and some politicians to criticize the BRI.

The social impact of public opinion has increasingly affected the macro-level of national direct foreign investment. For example, since the implementation of the BRI in 2013, China's international influence and appeal have steadily grown. However, Western countries, concerned about China’s rising status in developing countries, have consistently stigmatized BRI projects since 2015. Data from the GDELT database shows that the annual average sentiment towards China in BRI countries declined from 2013 to 2018. The average sentiment score was between +3 and +4 in 2013 and 2014, but dropped to between +1 and +2, and even turned negative after 2015. Coincidentally, the total volume of China's outward foreign direct investment in BRI countries has decreased to varying degrees since 2015, with the investment volume curve and the sentiment annual average curve both showing a V-shaped pattern.

Based on this, the first research hypothesis of this paper is proposed: International public opinion can to some extent impact China’s outward foreign direct investment in countries along the the Belt and Road.

After 2017, public opinion in some countries has had a negative impact on investment. The late U.S. President Lyndon B. Johnson once said, “The president makes public opinion; he does not follow public opinion.” This statement reflects the complex relationship between public opinion and decision-makers. From the public opinion and investment charts of countries such as Malaysia, it can be seen that after 2017, public opinion and investment have shown a negative correlation, coinciding with periods of elections and political instability in these countries.

Based on this, the second research hypothesis of this paper is proposed: The impact of international public opinion on China's outward foreign direct investment in countries along the the Belt and Road

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investment will vary with changes in the host country's domestic political situation and its international system environment.

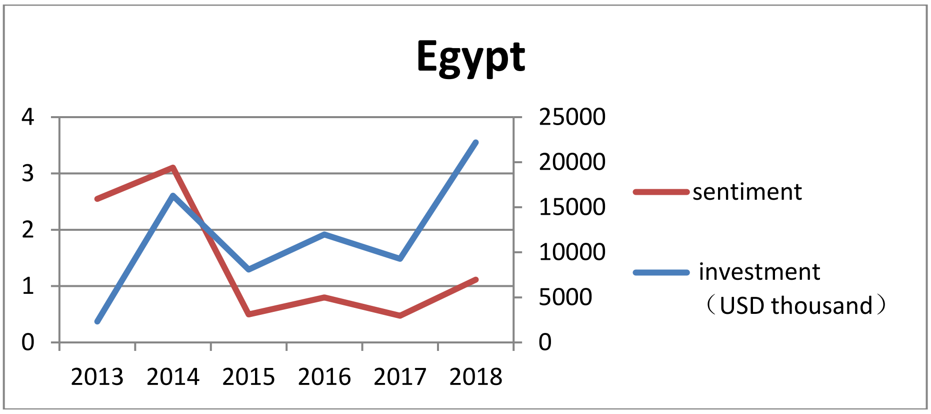
3. Analysis of the Correlation Between International Public Opinion and China's Foreign Direct Investment in countries along the the Belt and Road based on GDELT database sentiment data

3.1 Data Sources

The data for this study is sourced from the GDELT (Global Database of Events, Language, and Tone), the world's largest open database of political events. Its information is derived from social media, portals, online forums, and online news from over 65 languages in more than 100 countries worldwide. Between February 2015 and February 2019 alone, this database accumulated approximately 900 million web pages from various new media platforms globally, with a data volume of up to 8.5 TB. The database was created by Google developer Kalev Leetaru.[5]

This study analyzes the average tone values (Ave Tone) from the GDELT database and annual figures of China's foreign direct investment from China's outward foreign direct investment bulletins to create the following sentiment-investment charts, examining the correlation between public opinion and investment.

3.2 Case study (For example: Fig.1)



Source: The GDELT project: https://www.gdeltproject.org/.
Statistics Bulletin of China's Foreign Direct Investment.
Investment: China's direct investment in Egypt

Figure 1: Sentiment: Egypt's public sentiment involving China

Entering the 21st century, China and Egypt are jointly facing the tasks of developing their economies, improving people's lives, and building modern nations. The “Belt and Road” initiative has received enthusiastic responses from many countries, including Egypt. In January 2016, Egypt's Al-Ahram newspaper published a signed article titled “Let Sino-Arab Friendship Surge Forward like the Nile River.” On March 19, 2019, Egypt's Minister of Planning, Hala El-Said, stated that the Suez Economic and Trade Cooperation Zone would continue to integrate with the “Belt and Road” initiative to promote connectivity and international trade. Egyptian officials have repeatedly stated that the development of the China-Egypt Suez Economic and Trade Cooperation Zone has played a significant role in enhancing Egypt's industrial capacity and is a successful example of cooperation between the two countries.[6]

From the public opinion and investment charts, it can be seen that both Egyptian public opinion on China and China's outward foreign direct investment in Egypt peaked simultaneously in 2014 and declined in 2015, at which time Western media's “debt trap” narrative and various other opinions were on the rise, causing both public opinion and investment values to start falling. In fact, Egypt's domestic debt structure had already become a primary issue in 2011 and 2012, well before the implementation of the Belt and Road Initiative in 2013. After the 2016 article on Sino-Egyptian relations, both investment and public opinion values recovered, indicating that the formation of strong positive public opinion helps facilitate China's direct investment abroad *(For example: Fig.2).*

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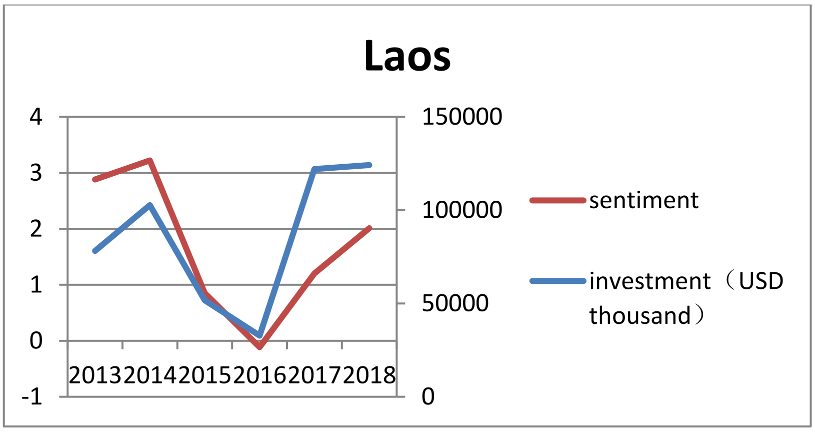
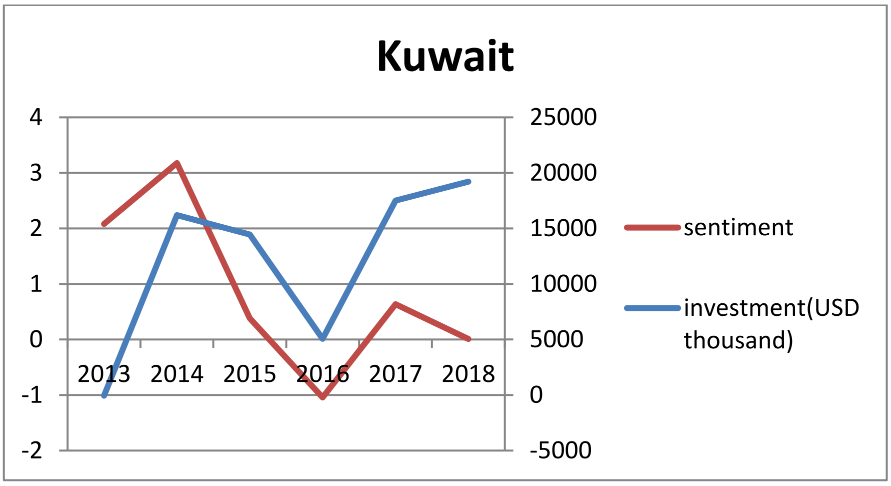


Source: The GDELT project: https://www.gdeltproject.org/.
Statistics Bulletin of China's Foreign Direct Investment.
Investment: China's direct investment in Laos

Figure 2: Sentiment: Laos's public sentiment involving China

On April 25, 1961, China and Laos established diplomatic relations. Although Sino-Laotian relations experienced some twists and turns in the 1970s and 1980s, they have generally maintained a friendly overall situation. After the resumption of diplomatic relations in 1989, the relationship between the two countries was fully restored and developed, with varying degrees of cooperation in political, economic, military, and cultural fields. Over the past 20 years, the Laotian government has consistently adhered to the One-China principle, and Sino-Laotian economic and trade cooperation has continued to develop. China has become Laos' largest investor, largest aid provider, and second-largest trading partner. According to data from the Asian Department of the Chinese Ministry of Commerce, in 2018, the bilateral trade volume between China and Laos reached $3.47 billion, with a growth rate of 14.9%. In 2018, China ranked as the largest foreign investor in Laos.



Source: The GDELT project: https://www.gdeltproject.org/.
Statistics Bulletin of China's Foreign Direct Investment.
Investment: China's direct investment in Kuwait

Figure 3: Sentiment: Kuwait's public sentiment involving China

From the charts, it can be seen that China's direct investment in Laos and Laotian public opinion on China began to gradually decline from 2015, reaching a low point in 2016, coinciding with the period when Western media continuously generated various narratives to discredit the Belt and Road Initiative. Following the signing of the memorandum of cooperation for the joint construction of the “Belt and Road” and the “Two Corridors and One Circle” in 2017, as well as cooperation documents in areas such as capacity, energy, cross-border economic cooperation zones, e-commerce, human resources, trade, finance, culture, health, information, social sciences, and border defense, China has actively taken control of the narrative. Through media promotion of the economic benefits and livelihood assistance brought by the Belt and Road to Laos, Laotian public opinion on China has been steadily rising. With the launch of the China-Laos railway project, China's investment in Laos continues to

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increase *(For example: Fig.3)*.

China and Kuwait established diplomatic relations in 1971, making Kuwait the first Gulf country to establish diplomatic ties with China. Since then, the two countries have maintained friendly exchanges at all levels. Kuwait was also one of the earliest countries to respond to China's Belt and Road Initiative and sign related cooperation documents. The energy sector is a key focus of cooperation between the two countries.

In the first quarter of 2015, Kuwait's total non-oil exports to China amounted to 62.6 million Kuwaiti Dinars (KWD), making China Kuwait's second-largest non-oil export destination, with the UAE and Saudi Arabia ranking first and third with 68.4 million KWD and 53.9 million KWD respectively. During the same period, Kuwait's total imports from China amounted to 402.5 million KWD, making China Kuwait's largest source of imports. By the end of 2014, Chinese companies had signed cumulative construction contracts worth \$9.85 billion in Kuwait, with completed turnover reaching \$6.05 billion. In May 2014, the Industrial and Commercial Bank of China completed the registration of its foreign branch in Kuwait, with the Central Bank of Kuwait approving the establishment of the branch.[7]

From the public opinion-investment chart, it can be seen that 2014 marked the peak of China's direct investment in Kuwait, with Kuwaiti public opinion on China also reaching its highest point since the Belt and Road Initiative was implemented in 2013. However, from 2015, both the public opinion-investment index began to decline, reaching their lowest point in 2016, coinciding with the Western media's intensified criticism of the Belt and Road Initiative. Additionally, the Kuwait government's debt is very low and its proportion of GDP is continuously decreasing.

From the international public opinion-investment charts of the three countries—Egypt, Laos, and Kuwait—and considering the foreign relations and domestic politics of these countries and China, it is evident that international public opinion does have a positive impact on China's outward foreign direct investment in countries along the the Belt and Road to a certain extent, thus confirming the research hypothesis.

Using Malaysia as a case study, we can analyze the essence of the “debt trap”narrative. On the domestic political level, around 2017 and 2018, Malaysia was experiencing continuous political and regional instability. Political strongman Mahathir Mohamad led the Pakatan Harapan coalition to victory over the long-ruling UMNO in the May 2018 elections. During the campaign, Mahathir targeted the Najib administration's economic cooperation projects with China, such as the East Coast Rail Link (ECRL), which is part of the "Pan-Asian Railway" initially proposed by Mahathir in 1995. After taking office, Mahathir canceled the Belt and Road projects in Malaysia, citing an inability to repay the debt and likened China's actions within the Belt and Road Initiative to “imperialism.”

Following the May 2018 election, many key members of UMNO left, and Malaysia's domestic political situation gradually stabilized. Public dissatisfaction grew with Pakatan Harapan's failure to fulfill campaign promises. In early 2019, Pakatan Harapan lost by-elections in Cameron Highlands and Semenyih to UMNO. Subsequently, the Malaysian government's stance on the Belt and Road Initiative and related Chinese projects subtly shifted. On February 15, 2019, Mahathir became the first leader to confirm attendance at the second Belt and Road Forum for International Cooperation. On February 19, Malaysian Foreign Minister Saifuddin Abdullah stated that negotiations between Malaysia and China on the ECRL project were "in the last mile." On April 12, China and Malaysia reached an agreement to restart the ECRL project, and on April 19, the Malaysian Prime Minister's Office announced the revival of the Bandar Malaysia project, which had been suspended in May 2017. Mahathir highly praised the project, stating that it would become a global hub, further attracting global financial, technological, and entrepreneurial companies.[8]

Regarding Malaysia's domestic debt structure, Chinese loans are not the main component of Malaysia's debt. Since the implementation of the Belt and Road Initiative, Chinese investment has become an important source of funding for Malaysia's large-scale infrastructure projects. Without Chinese investment, Malaysia would not be able to independently complete major projects like oil pipelines and high-speed rail. However, Chinese loans are not the main cause of Malaysia's national debt surge.

The cooperation between China and Malaysia on large-scale infrastructure projects has made Chinese loans a part of Malaysia's national debt. However, attributing Malaysia's debt problems solely to Chinese loans is clearly neither objective nor fair.

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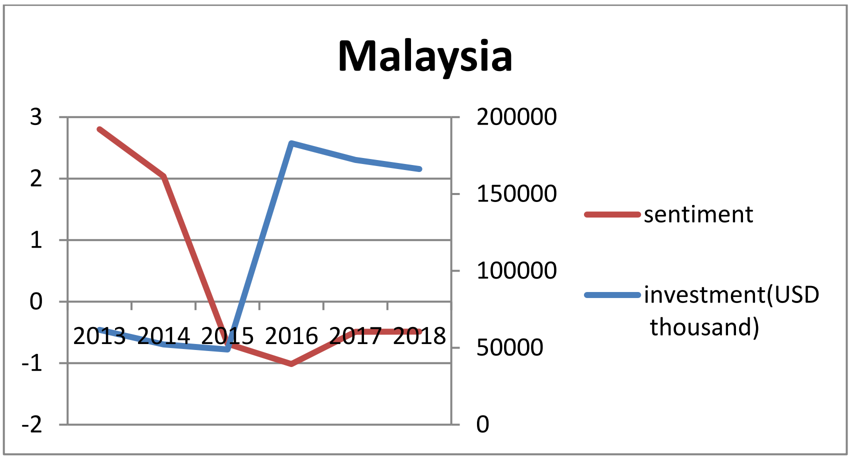
From the perspective of the international system in which Malaysia is situated, major neighboring countries have shown a negative attitude towards the Belt and Road Initiative (BRI). From the outset, Indian officials, scholars, and media have regarded the BRI as a means for China to advance its own strategic goals, believing it would harm India's interests. In South Asia, India has gone so far as to directly interfere in the domestic politics of target countries to disrupt the BRI, displaying characteristics of an imperial regional power. Consequently, Malaysian public opinion on China and China's outward foreign direct investment in Malaysia have both reached a low point *(For example: Fig.4)*.



Source: The GDELT project: https://www.gdeltproject.org/.
Statistics Bulletin of China's Foreign Direct Investment.
Investment: China's direct investment in Malaysia.

Figure 4: Sentiment: Malaysia's public sentiment involving China.[9]

From Malaysia's public opinion-investment chart, it can be seen that around 2015, when Western media began promoting the "debt trap" narrative, Malaysian public opinion on China and China's outward foreign direct investment in Malaysia both declined simultaneously. However, in 2016, 2017, and 2018, while public opinion on China continued to decline, China's outward foreign direct investment in Malaysia started to increase. This was because the narrative was being utilized in Malaysia's domestic elections, with the two major parties using the "debt trap" argument to attack each other. Malaysia's attitude towards China was unfriendly around 2017 and 2018, but the ruling party needed Chinese investment for domestic construction and economic development, leading to an increase in China's outward foreign direct investment in Malaysia during those years.

Therefore, the second research hypothesis proposed in this article is confirmed: the impact of international public opinion on China's foreign direct investment in countries along the the Belt and Road investment will change with shifts in the host country's domestic politics and its international system environment.[10]

4. Conclusion

The conclusion of this study indicates that changes in public opinion can affect China's foreign direct investment in countries along the Belt and Road Initiative. Chinese companies need to pay close attention to the interaction between the local public opinion environment and the international public opinion landscape. Public opinion can act as a non-tariff barrier, to some extent, hindering the increase of China's foreign direct investment in Belt and Road countries. Therefore, this study provides valuable insights into the influence of public opinion on foreign direct investment. Additionally, for investing countries, it's important to break away from traditional hard power thinking and consider enhancing international influence through improving global discourse power. Moreover, leveraging corporate public diplomacy can help mitigate various public opinion risks and address hidden trade barriers encountered during foreign investment.

At the same time, attention should be given to changes in the domestic situation of host countries and the international system-level environment, to assess public opinion risks in the investment environment and make rational decisions regarding foreign investment.

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