

# *Chinese multinationals on the new silk route: Managing political risk by branding the nation*

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# **Chinese Multinationals on the New Silk Route: Managing Political Risk by Branding the Nation**

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## **Abstract**

Though Chinese Multinational Enterprises (CMNEs) have brought investment and opportunities to countries along the Belt and Road Initiative, there has been scepticism regarding the content and context of their investment. On the one hand, infrastructural development contributes to GDP formation and enhances the efficiency of productive inputs where international trade enhances technology and export development, which jointly provides a path to economic growth. On the other hand, critical issues such as debt sustainability and national sovereignty among countries that have gone through the de-colonization process means that CMNEs need to grasp the implication of political risk when investing. This article focuses on South and Southeast Asia, where China has historical socio-economic relationship,

and proposes a nation branding model combining tradition and modernity which can be the way forward for CMNEs to mitigate political risk in relation to the BRI investment. Nation branding of BRI could be seen as a continuity of China's unfinished business in globalization that has preceded the modern polity; nevertheless, there is a need to communicate a coherent and authentic message that reflects the reality of business operations.

## **Key Words**

Political Risk, Chinese Multinational Enterprises, Nation Branding, Belt and Road Initiative, South and Southeast Asia

## **Introduction**

‘Not what is, but what people believe is...has behavioural consequences’ (Connor 1994, p. 75). This quotation highlights the risk facing multinational enterprises (MNEs) in the information age. Miller (1992 p. 31) states that risks as ‘variation in corporate outcomes or performance that cannot be forecast *ex ante*’, hence perceptions and attitudes underlying political issues could be a source of risk, namely political risk. Political risk is a modern concept that can be narrowly defined as ‘governmental or sovereign interference with business operations’ and/or related ‘political acts, constraints imposed on firms’ (Kobrin 1982, p.32-33). Another early definition of the concept by Robock (1971), adds to the conceptualization and highlights environmental factors such as religious disputes, student riots and extreme economic hardships, that subsequently result in social unrest as a cause for political risk.

The aim of this article is to discuss the management of political risk in conjunction with Belt and Road Initiative (BRI) by tackling the source of the risk factor using the nation

branding perspective (Anholt 1998; Olins 2002). Given the increase of BRI investment in recent years, we are therefore addressing a key issue that shapes the global competitiveness of Chinese MNEs (CMNEs). The BRI replicates the ancient Silk Road in the contemporary setting, and comprises of the land-based Silk Road Economic Belt and the seagoing 21st Century Maritime Silk Road. The “belt” and the “road” were launched by the Chinese President Xi Jinping during his visits to Central Asia and Indonesia in 2013; the BRI is characterized not only with trade, but often with direct investment such as ports, roads, railways, fibre optic and cables that connects China to the European World, the Arab World, the Central Asian World and the South and South East Asian World. Covering over 70 countries that amounts some 65% of global population, the BRI targets policy coordination, financial integration, unimpeded trade, infrastructure connectivity and people to people bonds (EBRD 2019). The BRI is therefore parallel with its ancient counterpart which involves trade as well as the exchange of culture and technology (Winter 2016).

Political risks from potential host economies can be associated with political determinants including terrorism, corruption and military control; additionally, socio-economic factors such as anti-investor sentiment could also shape events that may increase political risk. Existing theorists on the management of political risks tend to examine political risk from a micro perspective and propose pro-active or reactive strategy according to firms' existing investment profile (Thornhill and Derksen 1998; Collinson et al. 2016). We will therefore, for the first time, adopt a macro perspective and examine the role of key stakeholders in alleviating political risk arising from the socio-economic domain. We will refer to the case of Malaysia, Indonesia, Singapore and Pakistan and propose a strategy for CMNEs to prevent and mitigate political risk, jointly with stakeholders in the state and the civil society. It is proposed that an appropriate strategy for a historical nation-state to achieve global sustainability, is via the Confucian concept of ‘Great Harmony’. Legge (1967 p.364)

translates ‘Great Harmony’ as ‘a public and common spirit ruled all under the sky’ while Lu (2011 p.174) summarizes it as ‘a vision of social harmony’ that is ‘based on a just distribution of wealth and resources’. Building on existing marketing literature (eg. Balmer 1995; Anholt 1998; Dinnie 2004), a nation branding model that integrates tradition and modernity is proposed, re-kindling the spirit of the Silk Route leading to management of political risk in the long run. The contribution of this article is its multi-disciplinary approach, combining theory and practice in tackling a topical and paramount issue facing MNEs within the contemporary business environment. We will first provide an overview of BRI and emerging of CMNEs that provide the context of this study, followed by the theoretical overview of political risk and nation branding. The next section discusses nation branding model in relation to CMNEs’ initiatives in South and Southeast Asia whereas the final section offers some conclusions.

## **The Spread of BRI**

China’s outward foreign direct investment stock reached US\$382 billion by 2018 (UNCTD 2019) and the BRI amounted to US\$90 billion worth of CMNEs’ outward investment between 2013 and 2019 (Hornby and Zhang 2019). Table 1 provides a breakdown concerning the value of realized as well as approved BRI investment within leading South and Southeast Asian countries between 2014 and 2019. It shows that Pakistan, Indonesia, Singapore and Malaysia have attracted the highest value of investment, which was at least US\$29 billion for each individual country. A unique feature of the BRI is that it has the capacity to evolve and adapt organically to a changing environment since it is based on a gradual evolutionary approach rather than a top-down planning approach; in other words, the BRI aims to achieve its objectives without hierarchical, overarching institutions (Liu 2018). As Hruby (2018)

observes ‘party officials are not micromanaging state-owned enterprises and coordinating their activities abroad’. For example, the original BRI focus on state-owned CMNEs infrastructure partnership has extended to foreign investment in property development and telecommunication technology across the private sector. It could be described as a global strategy that allows China since 2013 to diffuse its successful developmental experience to other developing economies. As Xi Jinping states the BRI was ‘a new model of win-win cooperation’ based upon ‘peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit’ (cited in The European Parliament 2018 p.28).

Table 1: Leading BRI recipients in South and Southeast Asia

|  |                     |
|--|---------------------|
| China’s approved projects globally between 2014 and 2019 | US\$1165.66 billion |
| China’s approved BRI projects between 2014 and 2019      | US\$ 662.30 billion |
| China’s approved BRI projects between 2014 and 2019 in:  |                     |
| Pakistan   | US\$46.02           |
| Indonesia  | US\$31.05           |
| Singapore  | US\$29.65           |
| Malaysia   | US\$28.66           |
| Bangladesh   | US\$22.88           |
| Laos   | US\$17.08           |
| India  | US\$12.86           |
| Vietnam  | US\$ 9.54           |
| Philippines  | US\$ 9.11           |
| Cambodia   | US\$ 8.95           |
| Thailand   | US\$ 7.58           |
| Sri Lanka  | US\$ 6.11           |

Source: China Global Investment Tracker (2019).

There is, however, sceptical views on the nature of BRI which argue for its geostrategic and geoeconomic objectives. The European Parliament (2018 p.31) summarizes

BRI's functions as allowing China to control key global logistic chains, enabling its newly developed inland regions to connect with the world market more efficiently, helping the internationalization of the Chinese currency. Swaine (2015) addresses similar economic and political concerns, and highlights the BRI as a major element of China's foreign policy whereas its new financial institutions enables large-scale, cross-continental economic development. Building upon the geoeconomic perspective, Parker and Chefitz (2018) discuss the debtbook diplomacy of the BRI using the case of Hambantota port in Sri Lanka, where the CMNE China Merchants Port took over the operation for 99 years. Nevertheless, China's Foreign Ministry argued against the debtbook diplomacy in terms of Sri Lanka's US\$5 billion debt to China, amounting to only 10% of the country's total external debt (Mu 2018). Additionally, Sautman and Yan (2018) found that Sri Lanka did not actually have a problem repaying the 2% interest BRI loan but simply tried to use the funds received from the 99 years lease to pay the more expensive loans from Western institutions. Table 2 shows the perception towards the BRI between May 2017 and April 2018 in selected South and South-east Asian countries; the table shows that the average scores was 0.87 and the most unfavourable perception were received from the Sri Lankan, Bangladesh and Indian media. The lowest scores associated with China's three neighbouring countries coincided with the re-negotiation of the Hambantota port contract between 2016 and 2017.

Table 2: Perception towards BRI

| Selected South and South East Asian Countries | Tone measurement based on Global Database of Events, Language and Tone (GDELT) |
|---|--|
| Laos  | +3.01  |
| Indonesia                                     | +1.92  |
| Vietnam                                       | +1.89  |
| Cambodia                                      | +1.35  |
| Myanmar                                       | +1.15  |
| Singapore                                     | +0.96  |
| Pakistan                                      | +0.68  |
| Thailand                                      | +0.66  |

|             |       |
|-------------|-------|
| Malaysia    | +0.47 |
| Philippines | +0.22 |
| Sri Lanka   | +0.09 |
| Bangladesh  | -0.26 |
| India       | -0.81 |

Source: Herrero and Xu (2019).

Since political risk is the perceived danger that an investment's return might suffer in response to changing external environmental conditions encountered by firms, anti-BRI attitude impacted by the media, for instance, could be a source of political risk for CMNEs. The historical representation of the BRI means that the political risk associated with the project is embedded in a multi-dimensional context. Hence, the typical prescriptive frameworks utilized by researchers lack the long term strategic lens to understand the case of BRI. We will propose a risk management strategy that draws from the underlying theme of national identity, national image and nation branding in analyzing the BRI in South and Southeast Asia.

## A New Breed of MNES

CMNEs are relatively new players in globalization; their outward investment began in 1999 with the state led 'Going Out' Policy. CMNEs is not a homogenous group and consists of high profile state owned firms China Railway Construction and China Petroleum Pipeline Engineering as well as private firms such as Xiaomi, ZTE and Huawei. The China Investment Global Tracker, which monitors Chinese foreign direct investment activities of at least US\$100 million, indicates that among the US\$662.3 billion CMNEs' investment, 57% were BRI countries between 2014 and 2019 (Table 1). Overall, CMNEs' involvement have varied significantly at the country level within South and Southeast Asia. Afghanistan attracted US\$210 million of investment between 2014 and 2019; on the other hand, Pakistan,

Indonesia, Singapore and Malaysia attracted the greatest amount of investment worth US\$46 billion, US\$32 billion, US\$30 billion and US\$29 billion respectively. The investment pattern across industrial sector, furthermore, shows a similar pattern due to the nature of BRI projects. Among the four countries leading across BRI projects, the energy sector is important for Pakistan, Malaysia and Indonesia. For example, 60% of the BRI investment in the leading China Pakistan Economic Corridor is associated with the energy sector and aims to significantly increase Pakistan's power generation capacity (Shaikh and Tunio 2017). Indeed, the distribution of BRI projects in Malaysia reiterates the importance of the energy sector (ISEAS 2018). Among the US\$91 billion BRI projects proposed by Indonesia in March 2019, the sectors included power plants, smelters, seaports, industrial property development and tourism (The Straits Times 2019). The advanced economy of Singapore, as a contrast, includes the entertainment project (The Straits Times 2019).

As Pakistan, Singapore, Malaysia and Indonesia have attracted the greatest amount of BRI investment within the region, the discussion of political risk for CMNEs is particularly relevant. It should also be noted that the four countries have gone through de-colonization after the Second World War and to some extent are still pre-occupied with political nationalism; hence, negative attitudes towards CMNEs investment have been observed. In Pakistan August 2018, a suicide bomber targeted a bus with Chinese engineers. Gunmen also attacked Chinese businessmen at a hotel in May 2019 (Klasra 2019). In the case of Malaysia, Prime Minister Mahathir Mohamad's 2018 General Election campaign commented on the CMNE Country Garden's joint venture Forest City Project in the Iskandar special economic zone 'as a carve-out of Malaysian land to China'. The campaign built on anti-Chinese sentiments such as that of Embong et al. (2017) who suggested that 'China's massive investments will reduce Malaysia's sovereignty, strangle its own socio-economic development and lead to a sinicization of Malay Nusantara culture. Malaysia's once powerful

geopolitical position of connecting oceans will be reduced to just a link in China's production chain'. Similarly, Indonesia has witnessed political cross-current during the presidential election in 2019; with the opposition openly attacking the government's involvement in BRI investment. Heydarian (2019) recalls that 'President Joko Widodo has repeatedly come under attack by his rivals, especially opposition leader Prabowo Subianto, for supposedly kowtowing to China. The Indonesian President even faced questions over his ethnicity, with his rivals falsely portraying him as originally Chinese'. Overall, the above examples illustrate the presence of negative socio-political attitudes in conjunction with Chinese investment, which could be a source of political risk generated at the grass-roots level. Finally, the Singaporean government has expelled a Chinese academic with US nationality from the Lee Kuan Yew School of Public Policy on the ground that he collaborated with foreign intelligent agents in 2017. Most assumed that the academic worked with the Chinese state and provided 'privileged information' to senior Singapore government officials as to influence their decisions; this action amounted to 'subversion and foreign interference in Singapore's domestic politics' (SCMP 2017). This expulsion therefore indicates a source of political risk arising from the divergence of political institution.

Economists have highlighted the role of international trade and modern infrastructure towards economic growth (Agénor et al. 2006; Straub 2008; Awokuse 2008). Infrastructural development such as 5G telecommunication network contributes to GDP formation and enhances the efficiency of inputs in the production process (Romp and de Hann 2007). Additionally, infrastructural development as in transportation reduces the cost of transaction (Donaldson 2010), increases the productivity of inputs and enables industry (Aschauer 1993) and encourage the development of industry and its related supply chain within confined geographical space (Owusu-Sekyere 2018). Import-led growth and export-led growth, on the other hand, could provide indigenous firms an opportunity to access foreign technology and

knowledge as well as a platform for output growth basing on indirect benefits such as increase efficiency, capacity utilization and economies of scale respectively (Van den Berg and Lewer 2007; Sahoo and Dash 2012; Li et al. 2019). Japanese MNEs such as Nomura (2018) summarizes the pros and cons of BRI for recipient countries as: inflow of CMNEs' investment and a boost of economic growth versus debt sustainability and balance of payment risk. OECD (2018) specifically points out that BRI could alleviate Asia's infrastructure gap. 'It is also critical that investments in low-carbon, sustainable and high-quality infrastructure, which are a focus of the BRI, are given adequate support elsewhere, along with the maintenance, rehabilitation and upgrading of existing infrastructure... But there can be little doubt that the BRI is, by far, the most significant contribution to these needs' (OECD p.7). Taken from the perspective of the advantages that BRI investment could bring to the host economies, we will elaborate, in the following sections the concepts of political risk and nation branding, which will then allow us to propose a nation branding model to re-solve the troubled perception towards BRI.

## **Literature Review**

The theoretical foundation of our nation branding model builds on existing literature embedded in diverse disciplines within social sciences, ranging from public diplomacy, consumer marketing, international relations and social psychology. This allows for the practical application of concepts to deal with the operational challenges facing CMNEs along the BRI.

### *The Rise in Nation Branding*

Though the concept of nation branding is relatively new, its theoretical underpinning could be traced to the study of country of origin within Marketing and the study of nation-state and national identity among political scientists. The different disciplines have approached nation

branding with diverse perspectives; for instance, marketing and communication theorists discuss the creation of a brand that reflects the unique characteristics of the nation states (eg. Dinnie 2007; Aronczyk 2013), historians and political scientists provide insight into the origin of the concept within the study of nation states and events that revolve around their rise and fall (eg. Clerc et al. 2015; Browning 2015). Social scientists including Sociologists and Psychologists, on the other hand, examine the inter-relationships between individual and national identities and address how individuals internalize the collective identity that creates nation branding (eg. Jansen 2008; Kaneva and Popescu 2011).

Nation branding could be deconstructed in accordance to its component parts, i.e. nation and brand. Nation is built on the theoretical literature concerning nation state. Though the nation state is a 19th century construct embedded in the French Revolution, there has been a long line of enquiry tracing back to the Ancient Rome's *natio* and 大国 within the Spring and Autumn period of Imperial China. In the context of China, nation state relates to its vast geographical territory since the Qin Dynasty; court historians' records in Siku Quanshu have provided defining characteristics of nation states within different dynastic periods which include their administrative systems, taxation, literature, arts and international relations.

The 19th century writer Max Weber wrote 'the significance of the 'nation' is usually anchored in the superiority, or at least the irreplaceability, of the culture values that are to be preserved and developed only through the cultivation of the peculiarity of the group... a nation is a community of sentiment which would adequately manifest itself in a state of its own; hence, a nation is a community which normally tends to produce a state of its own' (Weber 1968, p. 925). Flint and Taylor (2011) further differentiates the concept with that of nation state; they build on Weber's definition and conceive the nation as a unit sharing cultural and historical bonds while the nation state denotes sovereignty and administrative

control over independent and defined territory. At the core of nation-state is the national identity, which has been examined under the lens of national character and its socio-historical origins as well as the constructivist lens of an imagined community (Anderson 2006). The debate concerning national identity is that of unity versus diversity. The rising tide against the importance of nation state since the 1990s has built upon the impact of globalization e.g. Talbott (1992), Ohmae (1995), Guéhenno (1995) and Strange (1996). These writers announced the obsolete of nation states in the 21st century. For instance, Ohmae (1995) pointed out that ‘Nation states, have already lost their role as meaningful units of participation in the global economy of today’s borderless world’ whereas Guéhenno (2000) echoed that nation state was ‘too remote to manage the problems of our daily life … [and] too constrained to confront the global problems that affect us’.

Marketing theorists including Balmer (1995, 2001), Aaker (1996), Kotler et al. (2016) build on product branding within the 4P (Product, Price, Place and Promotion), and explore image and reputation as in corporate branding. Corporate branding is subsequently extended to the branding of cities and nations (Dinnie 2004; Hankinson 2010; Ermann and Hermanik 2018). Nation branding utilizes the concept of a brand (a symbol used to identify the source of a product) to externalize the identity of nation-state. National identity originates from political philosophy and answers the questions who we are in a national sense. On the one hand, theorists such as Weber (1968) and Connor (1994) propose its definition should be bound by a common ancestry or ethnicity. On the other hand, there is a consensus on a wider definition as stipulated by Greenfield (1992), Gilbert (1998) and Poole (1999). Poole (1999 p.12) suggests the narrative of national identity as ‘an imagined political community’, which has been propounded by Anderson (1986).

Despite the debate of ethnicity and non-ethnicity within the conception of national identity, nation states could still be treated as brands. Key writers have presented their views

emphasizing the authentic branding of nation states. Gilmore (2002) argues for the authenticity in nation branding, built on existing values of national culture representing external communication of national values rather than the fabrication of some artificial image. Olins (2002) believes that the marketing of brands could be applied to modern nation states using the same techniques; he pointed out brands could not be created from nothing, hence nation branding reflected historical realities about the nations. He (2002 p.248) further predicts that ‘... interest in branding the nation is rising very fast. Within the next decade or so it will become, I believe, quite normal national practice. And then all the discussions will be focused around which country does it well and which badly’. Anholt (1998) illustrates the importance of nation brand and states that ‘as a consequence of globalization, all countries must compete with each other for the attention, respect and trust of investors, tourists, consumers, donors, immigrants, the media, and the governments of other nations’; nation branding in this sense is the foundation of national competitive advantage. Existing marketing literature has suggested that nation branding is a powerful tool, however, some social scientists suggest that the relevance of nation state is debatable as a result of globalization. Nevertheless, China’s reform experience has provided an additional dimension towards the orthodox notion of nation state. As Li-hua (2014) explains the Chinese nation state embraces the Eastern philosophy of paradoxical thinking; within the context of sovereign power, it has allowed for flexibility as in the one country, two systems solution for Hong Kong. Indeed, this contrasts with nation states such as Germany that unified the East and the West in 1990 with the modelling of East Germany towards the West German model, which some commentators have considered as unsuccessful as seen in the persistence of significance political, economic and social differences between the East and the West (Boltho et al. 2018). Building on the continuous central role of nation state in this century, we will discuss the activity of nation branding against the background of mitigation of political risk

within Chinese belt and road investment. Prior to this, we will provide a review of the concept political risk.

### *The Why, What and How of Political Risk*

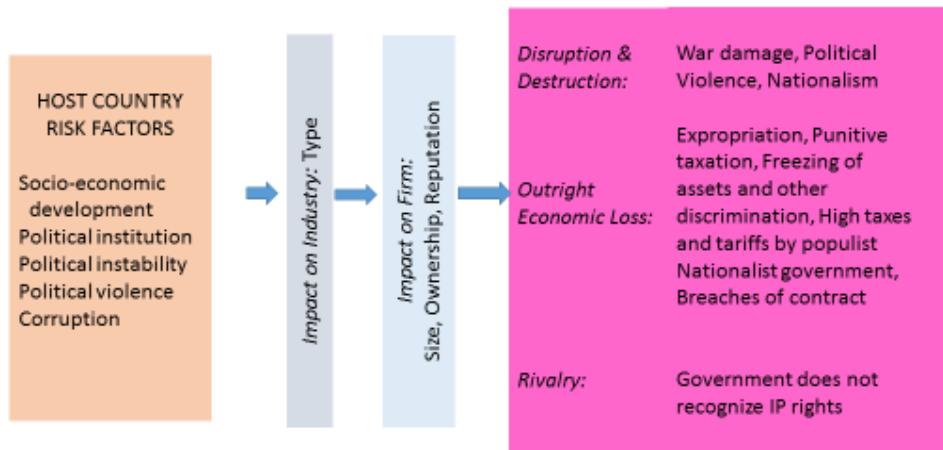
The study of political risk is a contemporary phenomenon. Kobrin (1979) states that the concept is confining and confusing. Nevertheless, political risk could be defined as the presence of a negative future condition or the probability of some factors that could lead to a loss in foreign investment, and is one of the risks that multinationals face when investing abroad (Du Toit 2013; Howell 2014; Jones and Comunale 2018). The leading foreign investors in the world, mainly British firms, were able to invest safely globally as they were protected by the British Empire pursuing gunboat diplomacy prior to the onset of the 20<sup>th</sup> century. The focus of political risks since Germany's defeat in the First World War, the Bolshevik Revolution in 1917, the decolonization process and the spread of Communism after the Second World War have revolved around expropriations (Jones and Comunale 2018).

Political risk in the recent decades, however, has evolved into a multi-facet concept; it relates not only to the actions of national government, but also to events that are outside the control of the government including violent social movement and terrorism. Overall, political risks leading to a negative return or a lower than expected return from foreign investment arise from the political, economic or social domain (Czinkota et al. 2000; Howell 2015).

Drawing from the factors contributing towards political risk, Figure 1 shows a political risk analysis framework that summarizes specific sources of risk and its impact on MNEs within their host countries. Host country factors leading to political risks arising from the political arena include un-democratic institution, corruption, political violence and government instability (Jensen 2008). Socio-economic development, on the other hand, includes ethnic

tension, nationalism and attitudes towards foreigners, which provides another source of political risk (Howell 2014). Finally, it should be noted that this framework highlights political risk which are industry- and firm-specific; MNEs from the same home country could encounter different levels of political risk.

Figure 1: Host Country Factors and Political Risk



Source: Authors.

Another stream of work central to the study of political risk is management (eg Casson and Lopes 2013; Collinson et al. 2016; Jones and Comunale 2018). Casson and Lopes (2013) suggest that political risk management can be examined in two phases: before the foreign investment takes place as well as after the foreign investment has taken place. Accordingly, the generic strategies for the two stages of investment are: Avoidance, Prevention, Mitigation and Withdrawal. Prevention strategy via seeking external support and mitigation strategy through operationalizing a pre-planned responsive action is relevant for MNEs that have entered and wish to stay in the market. This work therefore clearly

differentiates the management of political risk before and after MNEs' commitment to a host country and suggests a typology of responsive actions. From a managerial perspective, the prevention and mitigation strategy available to firms in tackling political risks are further underlined by a planned yet incremental approach as summarized in Figure 2. This means that an approach that build on strategic planning, which could subsequently be adapted to changing environment could be the basis for a nation branding model.

Figure 2: Strategic Approach for Managing Political Risk



Source: Authors.

The approach to mitigate political risk as we suggest in this article draws on the role of public diplomacy. This is the instrument used by political actors 'to understand cultures, attitudes and behaviour; to build and manage relationships; and to influence thoughts and mobilize actions to advance their interests and values' (Gregory 2008, p.276). Building on existing consumer marketing and social psychology literature (Katz 1960; Fishbein and Ajzen 1975; Watson and Wright 2000), we propose that nation branding could reinforce the relationship among local stakeholders within BRI recipient countries; it could also enable the Chinese state to provide local stakeholders further information and clarify misconception concerning investment, which in turn could neutralize anti-BRI attitudes. Attitudes are

comprised of the cognitive component, affective component and the behavioral component (Breckler 1984). Attitudes have been summarized by most theorists as ‘the tendency to respond to an object with some degree of favorableness or unfavorableness’ (Ajzen 2008, p.532); this reflects the cognitive component that is evaluative in nature. Based on Allport’s (1935 p.810) definition of attitude as ‘a mental and neural state of readiness, organized through experience, exerting a directive or dynamic influence upon an individual’s response to all objects and situations with which it is related’, the BRI attitude represents stakeholders’ evaluation of BRI related investment or event; this attitude is specific in nature and can be positive or negative. It can also be suggested that the BRI attitudes ‘are relatively stable and evoked in memory when needed’ (Argyriou and Melewar 2011). This derives from the cognitive component concerning thoughts and generation of opinions (Smith 1947; Breckler 1984). Though a time-consuming process, researchers have empirically tested the theory and framework in relation to consumer attitudes and political attitudes (Maio et al. 2018; Albarracin and Shavitt 2018; Brick and Fournier 2017; Cobb and Kuklinski 1997; Krosnick 1988); their findings suggest that it is possible to change existing attitudes towards BRI in countries hosting CMNE investment by providing relevant information. We will therefore put forward in the next section nation branding incorporating BRI messages.

## **Nation Branding and Chinese Foreign Investment**

Nation branding is a recent phenomenon that has been adopted by the UK, South Africa, Ireland, Thailand, Chile, Malaysia, Japan and Germany to enhance economic activities including tourism, export and foreign investment. This section will first look at the practice of nation branding in China prior to the application of the concept within BRI.

### *Nation Branding in the Chinese Context*

Dinnie (2007) defines nation branding with unique and multi-dimensional characteristics that provide the nation state ‘with culturally grounded differentiation and relevance for all its target audiences’ (p.15). Though not fully engaged in nation branding, China has undertaken campaigns such as Experience China to promote understanding of the achievement of the Chinese state in recent years (China Daily 2011); overall, these branding activities have focused on the creation of product or service branding and raises the Made in China profile globally. The branding of Chinese made products or services, has been and is undertaken by the China Council for Brand Development (CCBD), established in June 2013. The CCBD jointly created the Chinese National Brand Network in December that year with the Article Numbering Centre for China (AANC). The Chinese National Brand Network aims to connect virtually with manufacturing and service providers to enhance the Made in China brand. It adopts a holistic approach with the remit to highlight the importance of quality within global competition, to diffuse international quality standard and brand valuation standard, to introduce strategy for brand protection, to provide consultation concerning branding and to promote Chinese branding (CCBD 2018). Nevertheless, this stream of work could be described as product/service branding focusing on concrete attributes rather than the higher level abstraction in nation branding as shown in Table 3. In other words, the outcome of China’s existing branding effort aims to provide tangible, quantifiable and specific advantages to enhance the value of brands within industries or targeted firms.

Table 3: Nation branding Versus Product/Service Branding

| Marketing Dimensions | Nation Branding | Product/Service Branding | Comparison  |
|----------------------|-----------------|--------------------------|---|
| Offer                | Intangible      | Tangible                 | More abstract in nation branding                  |
| Benefits             | Indirect        | Direct                   | Difficult to measure the nation branding benefits |
| Image                | Various         | Simple                   | Multi-dimensional image for nation branding       |

|             |                       |               |  |
|-------------|-----------------------|---------------|--|
| Association | Diverse               | Specific      | More complicated association of nation branding                        |
| Ownership   | Multiple stakeholders | Firm specific | More complex organization due to multiple ownership in nation branding |

Source: Based on Fan (2006).

On a practical level, using a royalty relief methodology, Brand Finance (2017) states that China was in the second global position of nation brand value, estimated at US\$10,209 billion. Anholt, who utilizes existing concepts and pioneers the operationalization of nation brand, on the other hand, constructed a nation brand index with six key dimensions, namely Tourism, Exports, Governance, Investment and Immigration, Culture and People. According to Anholt's index, China was ranked eighteen among the countries in the study in 2016. Overall, the methodology of the measurement is a snap shot and fluctuates over time. But the basic principles of the methodology is to capture the element of a brand model, which comprises brand awareness, brand association, brand quality and brand loyalty (Kotler et al. 2016).

Table 4: Anholt's Nation Branding Dimensions

Exports – The public's image of products and services from each country.

Governance – Public opinion regarding the level of national government competency and fairness, as well as its perceived commitment to global issues.

Culture – Global perceptions of each nation state's heritage and appreciation for its contemporary culture.

People – The population's reputation for competence, education, openness and friendliness and other qualities such as tolerance.

Tourism – The level of interest in visiting a country and the draw of natural and man-made tourist attractions.

Investment and Immigration – The power to attract people to live, work or study in each country and how people perceive a country's quality of life and business environment.

Source: GfK (2018).

Given the political risk CMNEs have encountered in BRI investment, we will propose a practical operationalization of nation branding as a strategy to mitigate political risk in the following sub-section. The approach will incorporate both strategic planning and incremental adjustment as highlighted in Figure 2.

### *Building a Nation Branding Model concerning BRI*

Despite the presence of ample economic opportunities in relation to BRI for host economies (ISEAS 2018; Deloitte Insights 2018; Belt and Road News 2019), there is a lingering, negative perception among some of the local communities, despite the fact that the Chinese state has acknowledged the criticism and tackled the transparency and organization of BRI (BBC 2019). Hence, existing and potential CMNEs investment along BRI could benefit from nation branding. We will discuss the engagement required from public and private stakeholders concerning specific objectives. Table 5 presents some avenues to implement nation branding. Overall, the responsibility of nation branding could be carried out by an independent agency working in collaboration with the stakeholders. Additionally, CMNEs should not only monitor political risk in conjunction with the BRI investment, they should also undertake annual review of corporate social responsibilities. To a great extent, nation branding is a project involving a joint effort of key stakeholders.

Table 5: Chinese MNEs' Nation Branding concerning BRI

| Key Objectives   | Stakeholders Participants   |
|--|---|
| To reduce political risks among Chinese MNEs BRI investment. | Organizational effort to create public awareness of Chinese MNEs – Growth, Technology, UN Global Compact.                               |
| To improve public opinions of BRI.                           | Campaigns developed independent agency in collaboration with the state-led civil society and Chinese government's Publicity Department. |

|   |  |
|---|--|
| To build long-term people bond among BRI countries. | Institutions on the study of China, Chinese Universities educational exchanges, public lectures and talks on Chinese culture |
|---|--|

Source: Authors.

As China is one of the few nations that have a historical continuity throughout human history, the branding of the country therefore must reflect its national identity. The BRI could be compared to the Confucian notion of ‘Great Harmony’ (大同) which could be extended to the pursuit of global sustainability through the diffusion of China’s experience in economic development. It is a logical progress of the ‘Well Off’ (小康) stage that the country has achieved across the past decade. In other words, the BRI could be seen as a continuity of the country’s historical foreign policy of cooperation and prosperity. As Niu (2012 p.24) observes the Middle Kingdom ‘regarded itself as a complete world, ideologically ignoring the importance of neighbouring countries, though in reality it had to ‘cope with’ them in one way or another’.

Writers such as D’Hooghe (2007 p.15) have recognized ‘both China’s ancient and modern cultures are attractive to the outside world’ and this therefore serves as a strong country-specific advantage in its global communication. Accordingly, the major element of China’s nation branding could build on the vision of a Confucian ideal within the contemporary setting where people live together in a harmonious world. In the Book of Rites, Confucius discusses a welfare-oriented civilization that is built on trust, co-operation and inclusivity, where ‘the word community is equally shared by all’ within a utopian globalization. Contemporary strategists such as Li-hua (2014) have developed management models based on Chinese philosophical tradition such as the Confucian process of thinking in terms of holism, harmony, moderation and balance relationships. Indeed, China’s foreign

policy under Xi Jinping has utilized similar concepts including Harmonious World, Peaceful Rise and A Community of Common Destiny.

A brand essence that utilizes the notion of Great Harmony could be adapted to the contemporary global socio-economic environment which carry the messages of sustainable developmental goals. In other words, China's BRI messages should emphasize the global vision and depart from the Sino-centrism of Chinese Dream and Peaceful Rise; BRI messages allow for the amplification of universal values and are at the heart of Confucianism. Local misperception of China's global vision for BRI projects will be decreased. In particular, messages address the country's recent successful economic development, building on technology catch up and continuous upgrading of formal economic institutions. This could foster regional stability. Nation branding, in this sense, could promote China abroad and enable the alignment of image and reality through exchange of ideas. We use a three steps approach to discuss the nation branding opportunity for the BRI as seen in Table 6.

Table 6: Branding the Nation step by step

|        |                        |  |
|--------|------------------------|--|
| Step 1 | Concepts clarification | Nation Brand and core value                                  |
| Step 2 | Identifying key theme  | Universal significance and authenticity                      |
| Step 3 | Elaboration            | Experience and developmental path that support the key theme |

Source: Authors.

A nation brand model is presented in the following Figure 3. It could be seen that the brand essence is originated in the two thousand years old concept of Great Harmony, which is adapted and applied within the contemporary context of BRI. The concept of Great Harmony reflects the Chinese cultural orientation and is a desire to maintain a collaborative relationship with the external environment. Throughout history, Imperial China or the Middle Kingdom has demonstrated its ability and resilience to be at peace with the neighbouring

states in Asia. Indeed, the current ruling party in China has attempted to pursue a Good Neighbour policy with neighbouring states while balancing the objective of territorial integrity. As Scalapino (1990) elaborates that this model is where Imperial China conceived its culture ‘as the apex of mankind’s achievement’ open to outsiders where ‘anyone could participate in the Chinese order by accepting its culture’ (p.63). This culture in the modern economic context, is about a win-win situation, where all the participants will benefit from the country’s recent progress in economic development. For instance, Juosh (2018 p.15) explains the importance of infrastructural investment in ASEAN in terms of BRI’s ability as ‘to overcome the problem of inadequate infrastructure, which is a major obstacle for both short-term and long-term ASEAN economic growth’, and ‘BRI projects will also assist ASEAN and its Member States to draw investments into productive sectors such as manufacturing, energy and services.’ While highlighting the challenge in managing the sheer scale of BRI and the potential financial implications, Renwick et al. (2018) acknowledge that BRI enables participants to meet the UN 2030 sustainable development agenda. Indeed, Renwick et al. (2018 p. 21) state that the rationale of BRI ‘has received broad support from the international development community, with international organizations from the UNSC, General Assembly, World Bank, IMF, UNDP, World Meteorological Organization and regional IGOs’.

Figure 3: Nation Branding for the BRI



Source: Authors.

It could be argued that the notion of the Great Harmony might echo Japanese militarism during the Second World War and its ambition to create a regional power ‘Greater East Asia Co-prosperity Sphere’. However, the pursuit of Confucian utopia in relation to the BRI is far from a product of militarism, but is self-reflective, and is a product of the political turmoil in the 19th century China which brought over 100 years of economic decline. This can be contrasted with the unprecedented economic miracle since the late 20th century. The combination of these events means that Modern China has paradoxically inherited both a sense of shame and a sense of confidence, propelling it into an era of globalization, which shapes its course to search for a proper place in the world order. The proper place could be seen in terms of achieving politico-economic significance parallel to its past, rather than about challenging immediate US dominance and superiority. The BRI therefore embodies an understanding of international relationship where China could contribute and find its position. With its recent achievement in technological upgrade and innovation, China has the ability to help transform the developing countries along the BRI, economically, technologically,

socially and environmentally. Other than engaging in large scale infrastructural projects, China has also actively taken part in environmental projects including electric vehicles and the cleaning up of polluted river regions improving the quality of life internally and globally.

Figure 3 also highlights how the communication of the BRI message should be rich, neutral and authentic. The richness of the BRI message might prompt some to consider traditional channels as the best way to communicate the message. Nevertheless, recent research by Chesney et al. (2017) found that trust existed in the virtual world between trading partners. In this sense, the virtual world could be an effective medium to diffuse the message. Authenticity relates to the accuracy of information concerning the BRI projects and might require a high level of transparency as to illustrate the business standards of CMNEs. Finally, a non-biased, neutral message rather than an overtly positive message could be considered in the light of the connotation concerning how political communication is generally perceived (McNair 2003).

However, there is potential disadvantage of nation branding. As De Chernatony and McDonald (2003) highlights while branding is an input, it is the user who processes the information and generates the output in terms of a mental vision of the brand. This could be different from the brand essence. Pre-existing national stereotypes of China therefore could be a barrier that influence the degree of success in nation branding. National stereotypes relates to the categorization of a country along certain dimensions that provide approximation of its society, economy, international relation...etc. A national stereotype is a general description concerning specific norms and provides basic understanding, but will not be useful in analyzing any specific national event. National stereotypes of China that could impede the diffusion of the aforementioned brand essence and the associated narratives could be discussed in terms of variables within the PESTLE analysis, covering political, economic, social, technological, legal and environmental variables. In particularly, Torres de Oliveira

and Figueira (2018) illustrates the national stereotypes relevant to communication within China, this includes: one party system, the importance of face and guanxi, the prevalence of the natural way and the lacking of the rule of law. The stereotype on the perceived disadvantage of its political system has been elaborated by Hartig (2012) in analysing the shortcomings of Confucian Institutes towards the shaping of China's image. However, these stereotypes of modern China under the ruling Communist Party are static and snap shots. The fact is China is evolving and catching up not just technologically but also in terms of global governance and social responsibility. It should be noted that the notion of China's need for political modernization following the Western liberal democracy model has been questioned by Niu (2012) who considers the Chinese model as a post-nation state phenomenon. Niu suggests the modern Chinese state has maintained the geographical mentality of the historical dynasties, which could be contrasted with viewing the nation states as well-defined units with clear territorial boundary or as political units that compete with one another. The fluid concept of BRI allows for the pursuit of universal ideal in terms of the world as one that emphasizes co-operation towards global development. Overall, nation branding could serve to tackle the outdated Chinese stereotypes.

## **Conclusion**

Mitchell and Crabtree (2015) have quoted the comments of a diplomat concerning CMNEs' globalization: 'Five or six years ago China's "going out" model was very commodity-based. Now they are taking on infrastructure projects in countries that have competitive bidding processes. There will be bumps along the way.' Indeed, political risk has become an inevitable element of Chinese investment. In this article, we have proposed to utilize nation branding, a common tool among advanced and emerging economies across recent decades, reducing the political risks in BRI across South and Southeast Asia. Browning (2015) comments on the

importance of nation branding and states that it ‘is not just about questions of image but also of identity, status, and recognition in a context where a lack of visibility is seen as inherently problematic’. After a long decline in its global share of GDP between the 1820s and the 1970s, China has re-gained its leading position with an economic miracle building upon the socialist market economy. It is within the context of reform and catch up that CMNEs have emerged. Since 2013, CMNEs have actively taken part in the globalization process in conjunction with BRI; their investment in Pakistan, Malaysia, Singapore and Indonesia have increased significantly since the late 2010s. However, the rise of anti-globalization has heightened the political risk among CMNE investment and resulted in the scaling down of selected large scale infrastructure projects in Malaysia and Pakistan in response to local anti-BRI attitudes. This article, for the first time, draws from existing conceptualizations of political risk and nation branding to propose a strategy for CMNEs to lower political risk jointly with the Chinese state and civil society. The prevention and mitigation strategy could be applied in the high risk industry such as construction along the BRI countries.

Building on the adaption of Confucian perspective in a modern setting, an appropriate national strategy for a historical nation state to help diffuse its developmental experience in order to achieve sustainability, is an attempt to strike the balance between global harmony and global diversity. We have presented the concept of nation branding and critically examined its role towards public endorsement of BRI within the context of leading South and Southeast Asia recipients. A brand model for China that draws from the Confucian concept of Great Harmony is proposed as the essence of the nation branding model. This reinforces existing work concerning China’s nation branding effort, which tends to be somewhat outdated or lack sufficient depth (e.g. Ramo 2007); additionally, the extension of universality and technology departs from the official perspective of a Sino-centric role. Finally, this article highlights the power of nation branding towards political risk reduction in South and Southeast Asia and

provides a model that deconstructs relevant underlying concepts. This nation branding for BRI aims to form a coherent effort to highlight the new reality facing CMNEs which the competing forces of global and local co-exists. The proposed strategy might be a form of soft power, but it has been associated with China's past and is not an imagined identity in terms of China's role in this century. In such sense, nation branding of BRI is a continuity of China's unfinished business in globalization that has preceded modern polity.

## Appendix

English translation of the Great Harmony (or Great Union) as depicted in the Book of Rites (Legge 1967, pp.364-365).

*When the Grand course was pursued, a public and common spirit ruled all under the sky; they chose men of talents, virtue and ability; their words were sincere, and what they cultivated was harmony. Thus men did not love their parents only, nor treat as children only their own sons. A competent provision was secured for the aged till their death, employment for the able-bodied, and the means of growing up to the young. They showed kindness and compassion to widows, orphans, childless men, and those who were disabled by disease, so that they were all sufficiently maintained. Males had their proper work, and females had their homes. (They accumulated) articles (of value), disliking that they should be thrown away upon the ground, but not wishing to keep them for their own gratification. (They laboured) with their strength, disliking that it should not be exerted, but not exerting it (only) with a view to their own advantage. In this way (selfish) schemings were repressed and found no development. Robbers, filchers, and rebellious traitors did not show themselves, and hence the outer doors remained open, and were not shut. This was (the period of) what we call the Grand Union.*

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