

# Study on the Impact of Cultural Promotion on Bilateral Investment in China --Data from Confucius Institutes in Belt and Road Countries

Jin Lv, Renmin Shi\*

College of Education Science, Bohai University, Jinzhou, Liaoning, 121013, China

\*15231752981@139.com

## ABSTRACT

As the international economy and globalization trends accelerate and economic interactions between countries become more frequent, culture, as a prominent manifestation of national soft power, has become increasingly prominent in its economic characteristics. Cultural exchange can break down language barriers, reduce trade costs, enhance cultural identity, and form social networks, thereby building trusting relationships and influencing international economic transactions. The article analyzes the overseas development of Confucius Institutes and the changes of direct investment and foreign investment attraction in countries along the Belt and Road, and finds that Chinese cultural promotion can effectively promote bilateral investment, but with obvious country-specific differences, while cultural promotion. It is found that Chinese cultural promotion can effectively promote bilateral investment, but with obvious country-specific differences, while cultural promotion can expand the breadth margin of bilateral investment. Based on this, the cultural promotion strategy of the "Belt and Road" countries should explore the cultural potential of key regions, optimize the reasonable layout of colleges; innovate the development mode of Confucius Institutes and improve the operation mechanism of students; give full play to the power of Confucius Institutes' base stations and enrich the forms of cultural exchanges.

**Keywords:** cultural promotion; bilateral investment; Confucius Institute

## 1. INTRODUCTION

At the beginning of reform and opening up, China put forward the development strategy of "bringing in", using such means as increasing import trade and attracting foreign direct investment in China to inject power sources for China's economic growth;<sup>[1]</sup> in 2000, the development strategy of "going out" came into being, aiming at In 2000, the "going out" development strategy was born to expand the country's opening to the outside world and realize the long-term stable growth of China's national economy in the new era. According to the data released by the National Bureau of Statistics, China's outbound direct investment rose against the trend in 2020, with a total flow of \$153.71 billion, ranking first in the world for the first time. China's cultural export has been the main manifestation of the upgraded connotation of the "going out" economic development strategy in the new era,<sup>[2]</sup> and has gradually flourished after the capital export. The Confucius Institute, as a global mainstream institution to spread Chinese culture and promote the Chinese

language to the world and enhance our international influence and national "soft power", has been attracting much attention since it was first established in 2004. "The establishment and development of Confucius Institutes in countries along the "Belt and Road" is worth studying for its impact on bilateral investment.

## 2. MECHANISM OF THE ROLE OF CULTURAL EXCHANGE AND SOCIAL TRUST IN INFLUENCING INVESTMENT

### 2.1 The mechanism of action of cultural impact investment

#### 2.1.1. The economic characteristics of culture itself

Culture is a complex whole that contains knowledge, art, morals, laws, customs, religious beliefs, and all other abilities and habits that people have as members of society. [3] The cultural economy, on the other hand, is

the development of cultural resources as an economic resource, as well as the development of surrounding industries, which leads to the development of the entire national economy.

### *2.1.2. The economics of culture*

From the economic point of view, culture, in the form of a potential norm, regulates economic investment activities, forming over time a unique value system and influencing the behavior of long-term investment activities as a key explanatory variable, with value, potential influence and dynamic change. Culture is entwined with the material living conditions of people, their social lifestyle and the social relations they live in.[4] Different cultural contents and dimensions have different value orientations, and the difference in the value nature of culture is its essential difference. At the same time, culture has certain economic functions and is a prominent manifestation of the country's soft power.

## ***2.2 The mechanism of the role of cultural exchange in influencing social trust***

### *2.2.1. The role of cultural exchange on national homogeneity*

In investment and trade activities, trust relationship between countries is very important, and one of the keys to build trust relationship is the degree of homogeneity between countries. Homogeneity covers cultural values, ideology and other aspects, the less difference in consciousness ideas between countries, the higher the homogeneity, the easier it is to establish good trust relationship, and vice versa, the more difficult it is. Therefore, strengthening cultural exchanges, letting other countries know our culture and understand our values and ideology, building a platform for understanding between countries and creating opportunities for cooperation is one of the feasible ways to invisibly bring the relationship between countries closer and enhance the degree of homogeneity between them.

### *2.2.2. The role of cultural exchange on national relations*

According to the role of social exchange for trust generation, the prerequisite for social exchange from the perspective of mutual benefit and reciprocity is the establishment of trust relationships and their generation in interaction and cooperation. Trust relations between international countries are formed with the exchange of benefits and can be selected specifically from the sources of their formation, i.e., foreign funding, international exchange interactions, etc. Therefore, the relationship interaction between countries goes through the form of cultural exchange, creating environmental conditions for the establishment of trust relations and gradually

establishing or developing the consolidation of trust relations.

### *2.2.3. Defined forms of cultural promotion - Confucius Institute*

Chinese culture has a long history, among which the Confucianism initiated by Confucius has gradually formed a complete ideological system after more than 2,000 years of baptism and evolution, becoming the representative of traditional culture and widely accepted by the world. Since 2004, Confucius Institutes have been established around the world and have become an effective vehicle for cultural exchange between China and the world. Compared with other forms of cultural exchange, Confucius Institutes have the unique advantage of being quantifiable. By analyzing the distribution of Confucius Institutes, the form of operation and teaching contents, we can explore the impact of cultural exchange on international investment, so that the abstract factor of culture can be quantified and has a certain degree of operability.

### *2.2.4. The mechanism of social trust affecting cross-border investment*

Establishing a good trust relationship can promote the communication and collaboration between the two parties and facilitate the agreement between the two parties in investment activities. Some scholars point out that the abstract capital of trust relationship will be more and more important in all kinds of economic activities and reduce transaction costs. Breaking down language barriers, strengthening cultural identity and building social networks are effective ways to enhance trust relationships.

Firstly, the promotion of language brings huge benefits to the political, economic and cultural development of the country, and investment in language is an economic investment. The greater the international influence of a language and the deeper the density and breadth of its use, the higher its economic value. [5] Secondly, cultural identity affects the propensity to consume in the investing country, transferring the culture of the investing country to the host country, enabling cross-border cultural intermingling between the two countries, thus enhancing cultural identity, which can weaken the restrictive influence of cultural barriers to cross-border capital markets. Finally, it is not enough to promote culture only by one-way propaganda; it is necessary to enhance the exchange of people from both sides to generate social networks and integrate into people's lives in order to form cultural integration by osmosis.

As a typical medium of cultural exchange, Confucius Institutes promote Chinese culture in various forms, enhance the cultural identity of overseas audiences to

China, and establish a strong social network worldwide, acting as a "lubricant" and "glue" in international communication. It builds and consolidates trusting relationships and thus influences bilateral investments.

### **3. FEATURES OF CONFUCIUS INSTITUTES AND BILATERAL INVESTMENTS IN CHINA IN COUNTRIES ALONG THE "BELT AND ROAD"**

#### ***3.1. Overview of Confucius Institutes in countries along the "Belt and Road"***

The Confucius Institute was initiated and founded by the Office of the International Chinese Language Association to strengthen the spread of Chinese culture among countries around the world, to meet the needs of overseas people to learn Chinese language and understand Chinese culture, and to promote cultural exchange so that consensus can be more easily reached in economic trade.

##### ***3.1.1. Establishment of Confucius Institutes in countries along the "One Belt, One Road"***

China's booming market economy and increasing global influence provide a favorable external environment for the layout of Confucius Institutes.[10] Since the establishment of Tashkent State Oriental Institute in 2004, 164 Confucius Institutes have been established in countries along the "Belt and Road" as of the end of 2019, accounting for one-third of the number of Confucius Institutes worldwide. The establishment rate of Confucius Institutes in countries along the Belt and Road is 84.62%. The establishment rate of Confucius Institutes in countries along the Belt and Road is 84.62%.[11]

##### ***3.1.2. Distribution of Confucius Institutes in countries along the "Belt and Road"***

Confucius Institutes are most distributed in the CEE region, with 47 Confucius Institutes established in 19 countries, accounting for 28.7% of the total number of Confucius Institutes along the Belt and Road, and 40 Confucius Institutes in 10 Southeast Asian countries, second only to the CEE region. "The top three countries along the Belt and Road are Russia (19), Thailand (16) and Indonesia (8). This shows that the regional distribution of Confucius Institutes along the Belt and Road shows obvious clustering characteristics. [12]

Eighteen countries along the Belt and Road have established only one Confucius Institute, and another 18 countries have established only two Confucius Institutes, and Vietnam, Afghanistan, Bangladesh, Egypt, Iran and other low- and middle-income countries are among the regions with insufficient density of Confucius Institutes.

There are also some gaps in the distribution of Confucius Institutes in the countries along the route, and 11 countries have not yet established Confucius Institutes, most of which belong to the West Asian countries along the Persian Gulf. This shows that the distribution of Confucius Institutes is to a certain extent related to the economic situation of the target countries.

#### ***3.2. The current situation of bilateral investment between countries along the "Belt and Road" and China***

In 2003, with China's accession to the WTO, direct capital export became a major element of China's "going out" development strategy with increasingly obvious effects. In 2020, the global economy fell by 3.3% due to the impact of the new pneumonia epidemic, and foreign direct investment fell by 39.4% year-on-year. China's General Secretary Xi Jinping as the core of the Party Central Committee leadership to grasp the overall situation, the overall balance between the prevention and control of the epidemic and economic development, relevant departments to actively follow up on the prevention and control of the epidemic in overseas enterprises and foreign investment development, 2020 China's foreign direct investment flow of \$ 153.71 billion, the first time ranked first in the world.

##### ***3.2.1. China's outward foreign direct investment is on a general upward trend***

At the end of 2020, China's direct investment stock in countries along the "Belt and Road" was about 2007.9 billion yuan, and the top ten countries along the outbound investment stock were: Singapore, Indonesia, Russia, Malaysia, Laos, the United Arab Emirates, Thailand, Vietnam, Cambodia and Pakistan. There are more than 11,000 foreign enterprises, with direct investment of 22.54 billion U.S. dollars, up 20.6% year-on-year. It can be seen that the countries with higher foreign investment in China have a higher overlap with the countries where Confucius Institutes are established, and have formed a longer-term investment cooperation relationship.

##### ***3.2.2. China's absorption of foreign investment is rising against the trend***

In 2020, global cross-border investment fell sharply, and China's foreign investment absorption rose against the trend, ranking second in the world in terms of scale. Some countries along the "Belt and Road" were affected by the epidemic, with 4,254 new enterprises established in China, down 23.6% year-on-year, and the actual investment amounted to USD 8.12 billion, down 0.02% year-on-year. The decline in the number of new enterprises is mainly due to the restrictions of the epidemic prevention and control policies of various countries, which prevented the entry of relevant

personnel and equipment; the actual investment was not significantly affected and remained flat compared with the previous year. The analysis suggests that the impact of spatial and environmental changes on long-term investment is not decisive, and that the exchange of trust and cultural identity between countries has a greater impact on the intention of bilateral long-term investment. [15]

## **4. CONCLUSIONS**

### ***4.1. Chinese cultural promotion effectively promotes bilateral investment***

Affected by the epidemic, the world economy has shrunk so far in 2019 and the flow of outward direct investment has plummeted, China has emerged in 2020 after adjusting under the headwinds of a weak international economy, thanks not only to the strength of China's full-scale production and infrastructure power, but also to the promotion of different forms of cultural promotion, advancing international cultural exchanges and thus enhancing the sense of identification with Chinese culture and building trust mechanisms for The role of economic activities such as trade and investment is significant. The connotation of Confucius Institutes in terms of ritual and mutual trust is in line with the concept of cultural integration in today's world and has a certain degree of impact on bilateral investment in China. The data show that China's capital export to countries and regions with more Confucius Institutes is correspondingly larger, i.e., China's cultural "going out" may promote the cross-border flow of our capital.

### ***4.2. Bilateral investment role of cultural promotion has obvious country differences***

Compared with developed countries, many Asian countries have been immersed in Confucian culture for a long time and have a closer cultural tradition with China, and have a higher recognition of Chinese culture. According to the similarity-seeking theory, the more similar the income level and cultural development of a country, the more likely it is to generate similar demand, thus often promoting economic and trade investment between the two countries. Therefore, Confucius Institutes show a great investment-led effect in these countries, which explains the fact that although Confucius Institutes in China are mainly set up in developed countries, foreign investment is mainly in developing countries.

### ***4.3. Cultural promotion to expand the breadth of bilateral investment margins***

China's cultural outreach has not only increased the intensity of bilateral investment, but also increased the probability of investment in countries (regions) where

Confucius Institutes have not been established, broadening the margins of investment. With the implementation of the "One Belt, One Road" initiative, the majority of developing countries have been benefited, and the cooperation industry has been comprehensive in all walks of life, many countries that have not established Confucius Institutes have begun to pay attention to Chinese culture and Chinese language courses. Recently, Saudi Arabia, the United Arab Emirates, Oman and other countries that have not established Confucius Institutes have explicitly incorporated Chinese into their national education systems,[16] creating a very favorable exchange environment for language dissemination and laying a good foundation for further economic cooperation.

## **5. RECOMMENDATIONS**

Confucius Institutes have encountered many challenges in their growth and development, such as uneven distribution of the scale of Confucius Institutes and unbalanced regional development; relatively single cooperation and undertaking institutions, and unsound operation mechanism; lack of innovative curriculum content and teaching methods, etc. Under the "One Belt, One Road" construction, Confucius Institutes must seize new opportunities for development, balanced and reasonable layout, innovative development mode, and rich forms of communication.

### ***5.1.to tap the cultural potential of key regions and optimize the reasonable layout of the College***

In the construction along the "Belt and Road", most of the regions where Confucius Institutes have not yet been established are concentrated in the West Asian countries along the Persian Gulf, such as Saudi Arabia, the United Arab Emirates, Kuwait, etc. As these countries have great cultural differences with China, so for countries and regions with great cultural differences, the difference of the promotion content is the key to influence the foreign audience's acceptance of the communication. The key to the acceptance of the content, showing the characteristics of Chinese culture, reflecting the unique connotation and value of Chinese culture, the more national, the more global, strengthening cultural self-confidence, tapping the potential of regions with large cultural differences with China, and accelerating the deployment and promotion of Confucius Institutes will play a major role in the medium and long-term economic promotion.

### ***5.2. Innovate the development model of Confucius Institute and improve the operation mechanism of the Institute***

The growth and development of Confucius Institutes are hindered by limited funding, single organization of cooperation and commitment, and insufficient teacher reserve and deployment. At present, the development mode of Confucius Institutes in countries along the "Belt and Road" is mainly based on cooperation with universities, which lacks a perfect market feedback mechanism and cannot reflect the construction needs of the "Belt and Road" in time. Based on this, Confucius Institutes should take the initiative to expand the scope of cooperation, connect with the development needs of state-owned or Chinese enterprises, and through government support, gradually form a new model of Confucius Institutes with the active participation of Chinese enterprises, and consider the provision of related consulting services to enterprises as the goal of Confucius Institutes in China. At the same time, we should establish a model of direct sponsorship by China and joint establishment of payroll colleges by foreign parties, seek sponsorship from Chinese and foreign companies or social organizations, broaden the sources of funding, and build a "network alliance", [17] so as to realize the innovative combination of cultural promotion and economic development of Confucius Institutes, enhance their suitability, and contribute to the construction of "One Belt, One Road". We will provide more accurate services for the construction of "One Belt, One Road".

### ***5.3. To give full play to the power of Confucius Institute base stations and enrich the forms of cultural exchange***

Xi Jinping said that we should continue to innovate the expression of overseas discourse and tell the Chinese story according to the habits and characteristics of foreign audiences." [18] At present, the mainstream institution for cultural promotion in China is the Confucius Institute, which has a special official website and offers various courses and activities such as "Chinese Bridge", but in a single form and with a limited scope of dissemination, mainly for groups interested in traditional Chinese culture. In the context of the booming development of mobile short videos, short videos have the advantages of being short, concise, intuitive and vivid, and are loved by people at home and abroad as a way of life and a carrier of cross-cultural communication, as evidenced by the fact that Li Ziqi's short food videos became a classic case of phenomenal cross-cultural communication overseas in 2019. [19] Confucius Institutes can give full play to the communication advantages of short videos, use the communication channels of foreign mainstream video websites and the communication methods of short videos to meet the emotional and aesthetic needs of overseas audiences, broaden overseas promotion channels,

enhance the space for cultural communication, and even promote the growth of the number of Confucius Institutes, create bilateral investment opportunities, and develop hidden investment projects.

The use of culture as a stage to lead the economy is a development route that needs to be considered in the implementation of China's international strategy. In the future economic development, Confucius Institutes should complement the "One Belt, One Road" construction to create a good economic development route, to meet the development of multiculturalism at the same time, to promote economic development to grow together, and to provide new momentum for future bilateral investment.

### **Fund Project**

Research on the Promotional Effect of Educational Exchange on Mutual Investment between China and Belt and Road Countries" (Project No. L20BGJ005), Liaoning Provincial Social Science Foundation, 2020.

General Project of Liaoning Provincial Social Science Foundation in 2021: "Economic Analysis of Cultural Promotion - Based on the Data of Confucius Institute" (Project No. L21BGJ002).

### **REFERENCES**

- [1] Xie, Mengjun. Can culture lead to exports: empirical data from "One Belt, One Road" [J]. *International Trade Issues*, 2016: 1-2  
DOI:10.13510/j.cnki.jit.2016.01.001.
- [2] Xie, Mengjun. Research on the investment effect of cultural "going out": data from 12,326 Confucius Institutes around the world [J]. *International trade issues*. 2017: 3-4  
DOI:10.13510/j.cnki.jit.2017.01.004.
- [3] Taylor. *Original culture* [M]. Guilin: Guangxi Normal University Press. 2005: 1-2
- [4] Wang X. The connotation and Chinese characteristics of multicultural education in the context of globalization era [J]. *Global Education Outlook*. 2012: 60-61
- [5] Zhao YL, Ge ZY. Chinese cultural communication and the overseas influence of "Made in China" [J]. *Nankai Economic Research*. 2019: 3-4  
DOI:10.14116/j.nkes.2019.03.003.
- [6] Wang T. An Exploration of Cultural Diversity and Educational Policies in Chinese Society. *Journal of Chinese Education*. 2020: 44-45
- [7] Li J., Diao S. W. A preliminary discussion on the spatial and temporal distribution of Confucius Institutes [J]. *China Ethnic Expo*. 2021: 84-85

- [8] Wang F, Chen Y. Study on the distribution of Confucius Institutes in countries along the Belt and Road based on big data [J]. *Journal of Yunnan Normal University*. 2019: 6-7  
DOI:10.16802/j.cnki.ynsddw.2019.01.002.
- [9] Lian Daxiang, Wang Lu'an, Liu Xiaogu. Educational and economic effects of Confucius Institutes [J]. *Tsinghua University Education Research*. 2017: 42-43  
DOI:10.14138/j.1001-4519.2017.01.003709.
- [10] Guo Jing, Wu Yinghui. International political risks, opportunities and strategic adjustments of Chinese language international communication under the great change [J]. 2021:46-53
- [11] Liu Preservation, Zhang Yongjun. Current problems and reform paths of Confucius Institutes in countries along the "Belt and Road". *Journal of Southwest University (Social Science Edition)* [J]. 2019:75-76.  
DOI:10.13718/j.cnki.xdsk.2019.02.008.
- [12] Dong Yunhu. Comprehensively enhance the ability and level of the work of news halo round under the new situation [N]. *Study Times*. 2016:9-10  
DOI:10.38216/n.cnki.nxxsb.2016.001610.
- [13] Tian Yuxia. The path choice of Chinese culture going out---The example of "Li Ziqi phenomenon". *Media* [J]. 2020: 82-85