Abstract

Export data from 2007 – 2016 with 175 exporters and 195 importers is combined with institutional data from World Governance Indicators in order to ascertain the institutional effects on trade. This effect is measured by three different metrics using a gravity model: the effects on trade due to institutional quality of exporters and importers, the effects of particularly good and bad institutions and the effects of institutional similarity. These results are then used in order to analyze China's Belt and Road Initiative and its possible goals. China was found to export more to nations with good institutions and far less to nations with poor institutions, even when only looking at trade flows between China and B&R nations. Existing funding information and agreements listed in the last B&R Forum did not follow China's trend of exporting more to nations with good governmental institutions. Instead, a negative correlation exists between B&R funding and agreements and the institutional quality leading to the conclusion that China is not just strengthening existing trading relationships with the B&R Initiative but rather is pursuing other goals, such as trade diversification.