

## BELT AND ROAD INITIATIVE IMPACT ON THE ECONOMY OF SOUTH ASIAN COUNTRIES

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### Abstract

The initiative known as the China Belt and Road Initiative was unveiled by Chinese President Jinping in 2013 and focus on the rebuilding the Silk Road Economic Belt and the twenty-first century Maritime Silk Road. The Initiative promoted job opportunities and development of infrastructure. This research paper examines the Belt and Road Initiative and its impact on the economy of South Asian countries including Pakistan, Sri Lanka, Bangladesh, Bhutan and Nepal respectively. The independent variable includes the China investment and dependent variables are GDP growth, GDP Per Capita, employment, trade import, trade export, government effectiveness and external dept level. The research is conducted through quantitative method and the multiple regression analysis is used to analyze the impact of BRI on the economy of South Asian countries. The findings suggest that China BRI Investment has mixed impact on the economy of South Asian countries. The GDP growth and GDP Per capita has no significant impact, but the employment has a positive and significant impact. Additionally a moderate positive impact on trade import and export that indicating increasing economic activities. There is also a moderate relationship between BRI Investment, government effectiveness and the dept level. The analysis indicate that the Belt and Road Initiative (BRI) has mixed impact on the economies of South Asian countries.

Keywords: Belt and Road Initiative, China Investment, South Asian countries.

### INTRODUCTION

Initiated by the Chinese President in 2013, the China Belt and Road Initiative (BRI) consist of two connectivity initiative. The Silk Road Economic Belt is the first, while Maritime Silk Road of the twenty-first century is the second. During his tour to Central and South East Asia, Chinese President Jinping launched the Belt and Road Initiative (BRI). The BRI project promotes infrastructure development and enhances mutual understanding and peace across the regions.

China has initiative six main corridors namely Bangladesh, China India and Myanmar Economic Corridor (BCIM-EC), China-India-China Peninsula Economic Corridor (CICP-EC), China -Mongolia-Russia Economic Corridor (CMR-EC), China Pakistan Economic Corridor (CPEC), China -Central and West Asia Economic Corridor (CCWA-EC) and New Eurasian Land Bridge (NELB).

Whether the countries consider it the Chinese positive Initiative that brings significant benefit or this initiative is considered only the Chinese intention to show their supremacy in the region. China wants to establish its regional supremacy in the region by announcing its several projects. Geographical location and strategic location

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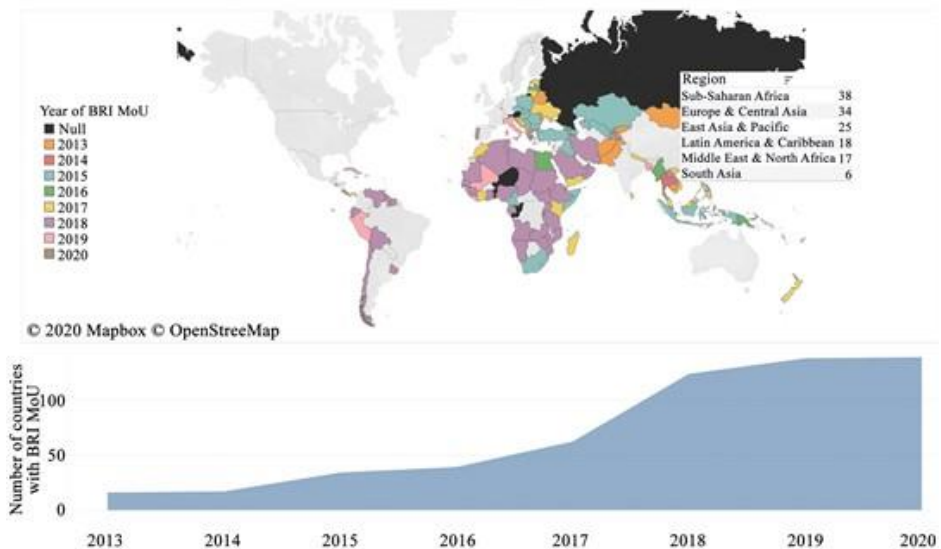
account for India dominance in South Asia ,but the Belt and Road Initiative altered bilateral and regional policies and ties with other countries, completely altering the game. China backs smaller countries like Bangladesh, Nepal and Maldives to boost their economies and bolster their standing in the area. With China Pledge to supply finance, these smaller states have joined Belt and Road Initiative and are working to improve their economies. Millions of dollars have been already invested in a few of them to enhance Infrastructure .However; there were some negative aspects to the funding as well, including growing interest rate and large dept loan. China makes its influence in the countries of South Asia and its One Belt and One Road Initiative (BRI) has a huge impact to change the whole dynamics of South Asian countries.

The research seeks to give a thorough analysis of the impact of the Belt and Road Initiative (BRI) on South Asian countries. The research questions included in the research are what are the economic impacts of BRI on South Asian countries, particularly in terms of GDP growth, infrastructure development and China dept based diplomacy? What are the major BRI projects which are implemented in the South Asian countries? How BRI project influence the development of the South Asian countries. The study seeks to give important insights for future research and policy formulation, as well as to enhance our understanding of how this initiative impact on the economy of South Asian countries.

Figure: 1



Figure : 2



Source .World Bank Report 2018.

## LITERATURE REVIEW

The paper 'China Belt and Road initiative in South Asia (Jan 2022) Published by Council on Foreign Relations Press examines that BRI became the huge infrastructural project that spread across the Middle East, Africa and south Asia. The stance behind the Chinese BRI project is to spread its trade and to strengthen its economy across the region which raises concern for the USA and a huge competition emerges between them in the shape of BRI/ B3W. The study of this paper also examine the Pakistan and BRI very broadly .The cornerstone of BRI project in Pakistan is China-Pakistan Economic Corridor (CPEC).It worth is \$62 billion and connects Southwest China to Pakistan .It is also admitted that India consider China its biggest political threat because India is not a part of any BRI project .India had a great strategic importance in South Asia and share border with four of continental countries( Bangladesh, Bhutan, Nepal and Pakistan)and also closest to the (Maldives and Sri Lanka) The paper also examine the point of view of India relating BRI project and also tells that how BRI becomes successful and what are its cons on the regions of South Asia. (Miller Jan 2022)

Dawn news April 29(2019) the Article "One Belt One Road Initiative "examine that China wants to strong its position in the region .China also practicing "debt trap diplomacy' by drowning smaller states in dept Sri Lanka also face problems with Chinese dept in port project and Malaysia also renegotiated in rail project. In case of CPEC there is also criticism that its benefits are not for all the parts of Pakistan. However, CPEC also benefits the Pakistan economy. The article also examines that the US and her alliance criticize it but South Asian countries mutually reward it. (China belt and road initiative April19 2019)

IPRI Journal by Murat Ali (2020) the Title "China Belt and Road Initiative in South Asia: examines the whole project of BRI, its objectives and what is the strategy of China behind their initiative. And how China plays their role in South Asian countries. The project of BRI is welcomed by all South Asian Countries except India. China and India also have some clashes. India has a dominant status in the region because India's GDP is more than all other countries of South Asia. However, the China trade and investment is increasing in the region and the smaller states welcome the BRI for their economic development and also to counterbalance the Indian policies. To counter the Chinese dominance India has also started the Asian-African Growth Corridor (AAGC) in which India and Japan started the Connectivity Project to counter BRI Europe, Africa and other Central Asian countries consider BRI a win-win situation. They also joined long term and socio-economic development programs , however other nations have chosen not to join the BRI .The study also looks at the difficulties the BRI Project is facing. (Ali 2020).

Institute for National Strategic Studies by Joel Wuthnow (October 2017) titled 'Chinese Perspective on the Belt Road Initiative: examine the Silk Road, an economic corridor that links China with its neighbors. The most popular is CPEC .Other pathways connecting Central, South, and South East Asia. After analyzing the paper, it is

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admitted that China's objective is to gain geopolitical domination. It is also the reaction of USA strategy to rebalance Asia policy. Chinese perception also says that the western countries, especially the USA and Japan, oppose it. China also used diplomatic and economic tools to counter these threats to the BRI project. It is also said that infrastructure development projects also increase its energy sector. And another perspective is that China expands its strategic influence by using BRI in Eur-Asia. But there are also many Risks and Challenges due to BRI like Operational Challenges, nontraditional Security Challenges, Strategically Challenges and many more like this (Wuthnow October 2017).

Anu Anwar (2020) "South Asia and China Belt and Road Initiative" examines that BRI flourished from Eurasia to Africa but its major impact lies on South Asia. The island nations of Sri Lanka and Maldives are situated in the midst of the Indian Ocean, while China borders every other landlocked nations in the South Asia save Bangladesh. Through the BRI China succeeds in its long term objective. Although China is attempting to get India to join BRI Project, India is opposed to the Initiative. China has also invested in the smaller states of South Asia for example China offers Nepal the use of its four major ports to reduce its dependency on India. It is also said that CPEC is the most important project of BRI. It connects Gwadar to Kashgar (China). CPEC also runs through disputed Jammu and Kashmir where the borders of India, Pakistan and China meet. The other projects of OBOR initiative are The Bangladesh- China -India - Myanmar Economic Corridor (BCIM-EC), The Trans - Himalayan Economic Corridor (THEC), The Maritime Silk Road (MSR) etc. According to the report, the Belt and Road Initiative has exposed several South Asian nations to security risks. The South Asian Association for Regional Cooperation (SAARC), the most significant regional organization, plays a significant role. (Anwar 2020)

Badar Alam Iqbal, Mohd Nayyer Rahman and Shaista Sami (2019) Impact of Belt and Road Initiative on Asian Economics" suggests that the project of BRI is developing and growing from an Asian perspective. It also suggests how BRI corridors work in different regions of Asia and how BRI impacts on the economic growth of Asian countries. The major objective of BRI is to increase the economy of China and also to dominate geopolitically in Asian countries in order to assert its economic dominance over the region, China also boosts its energy supplies, exports, and building materials. According to the report, in a few years the Belt and Road Initiative (BRI) will change the game and boost the economies of other nations as well. (Badar Alam Iqbal 2019).

By Virain Mohan (2021) Changing Political Dynamics in South Asia: The Belt and Road Initiative and its Effect on Indian Regional Hegemony examines how BRI changed the whole scenario of South Asian. India is the dominant region but BRI changed the whole game China also boosting its aim to create cultural and economic links to all the countries. The study suggests how BRI works in South Asian countries. The flagship of BRI China Pakistan economic corridor (CPEC) a long-term planning and development program. On the other hand, the project also brought "Dept -Trap" diplomacy.

As part of the Belt and Road Initiative, China established oil refineries in Sri Lanka and initiated numerous other infrastructure projects. China also announced the success of its BRI Project and its projects in Bangladesh, Nepal, and the Maldives. However, boundary disputes make ties between China and Bhutan tricky. Bhutan rejected China's best efforts to include it in the Belt and Road Initiative. India, which is not a member of the BRI, has its own position on the initiative. (Mohan 2021).

Zhao Shiren (2023) Pak China ties are beyond reproach from Dawn news examines that one of the major BRI Projects, the China Pakistan Economic Corridor (CPEC), aims to improve infrastructure and promote economic relations. Numerous projects initiated under the Belt and Road Initiative was completed this year by China and Pakistan. China and Pakistan also promote the Main -1 (ML-1) project. Along with building roadways and a national core transmission network, CPEC assists Pakistan in generating electricity. The main problem is debt crises. Through financial and technological advancement, China also assists Pakistan. (Shiren 2023)

Rathakrishnan (2020) in China's Grand strategy; A New Economic Order in South Asia states that Six marine and thirteen continental neighbors encircle China. Three circles represent Beijing's neighborhood, according to China Institute of Contemporary International Relations. The states bordering the People Republic of China on land made up the "inside ring". The maritime state that make up the middle ring, which extends from the inside ring and includes areas of China's bordering nations, such as the West Pacific, Indian Ocean, Russia, and Central Asia, are essential to the country's concept of "Rising China." Based mostly on security considerations, South Asia is ranked third in Beijing's Asia policy. In terms of strategic importance, the Belt and Road Initiative has confirmed that. China's relations with South Asia are about to shift into a new era. (Rathakrishnan 2020)

## **SOURCE AND METHODOLOGY**

This Research aims to explore the Belt and Road Initiative and its impact on the economy of South Asian countries including Pakistan, Sri Lanka, Bangladesh, Nepal, and Maldives. This research will be conducted through using the Quantitative method and secondary sources including books, articles and research journal.

## **IDENTIFYING VARIABLES**

The study employs both independent and dependent variables. The dependent variable which are economic indicator such as GDP growth, GDP Per capita and external dept level, employment rate, trade import and export. The Belt and Road Initiative investment from China is the independent variable.

## **MODEL SPECIFICATION**

The following is how the model specification would typically look when using a multiple regression model to examine how the Belt and Road Initiative (BRI) has impacted the economies of South Asian countries.

The statistical technique known as multiple regression analysis is employed to investigate the correlation between one or more independent variables, or predictors, and a dependent variable, or result. It goes beyond the single-input, single-output simple linear regression.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_p X_p + \epsilon$$

Where:

-  $Y$  is the dependent variable.

-  $\beta_0$  is the intercept term.

-  $(\beta_1, \beta_2, \dots, \beta_p)$  is the coefficients of the independent variables  $(X_1, X_2, \dots, X_p)$ .

-  $(\epsilon)$  is the error term, representing the difference between the observed and predicted values.

Belt and Road Initiative (BRI) and its impact on the economy of South Asian countries, a multiple regression model might look like this:

Holding all other variables constant, the coefficients  $(\beta_1, \beta_2, \dots, \beta_p)$  indicate the change in the dependent variable for a one-unit change in the associated independent variable. The value of the dependent variable is represented by the intercept term  $(\beta_0)$

$$\text{Economic Growth} = \beta_0 + \beta_1 \text{BRI Investment} + \beta_2 \text{Trade Volume} + \beta_3 \text{Infrastructure Development} + \epsilon$$

Where:

-  $(\text{Economic Growth})$  is the dependent variable representing the economic growth of a South Asian country.

-  $(\text{BRI Investment})$  is the amount of investment received from the BRI.

-  $(\text{Trade Volume})$  is the trade volume between the country and BRI member countries.

-  $(\text{Infrastructure Development})$  is a measure of infrastructure development funded by the BRI.

-  $(\epsilon)$  is the error term.

The influence of BRI investment, trade volume, and infrastructure development on the economies of South Asian countries is indicated by the coefficients  $(\beta_1, \beta_2, \beta_3)$ .

## **DATA COLLECTION**

The data collected from the World Bank (WB), International Monetary Fund (IMF), and other secondary sources.

## **DATA ANALYSIS AND RESULTS**

On the defined variable data, the multiple regression tests are run. In order to determine the influence on the economies of South Asian countries, the dependent variables are examined individually, with the Chinese investment in terms of the Belt and Road Initiative serving as the independent variable.

### **1. GDP GROWTH**

Following an analysis of Chinese investment in the BRI as an independent variable and the GDP growth of South Asian countries as a dependent variable

## **DESCRIPTIVE STATISTICS:**

**Table: 1.**

	Mean	Std .Deviation	N
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GDP growth	3.81	3.79	29
China Investment	347.67	382.47	29

The Descriptive Statistics of the variable GDP growth and the China Investment shows that in terms of GDP growth the mean value indicate the average annual growth rate of these countries. The Standard Deviation shows that there is considerable variation in GDP growth rates among these countries which should be due to difference in economic policies and other factors in these countries. For China Investment the mean value indicate the average amount of Investment from China in these countries which shows that China has been a significant investor in the region. The Standard Deviation shows there is a variability in the levels of investment in these countries.

### CORRELATION ANALYSIS

- Dependent variable: GDP growth

- Independent variable: China investment

$$[GDP \text{ growth} = \beta_0 + \beta_1 \text{ China investment} + \epsilon]$$

Where:

-  $(GDP \text{ growth})$  is the dependent variable representing the annual GDP growth rate of South Asian countries.

-  $(China \text{ investment})$  is the independent variable representing China's investment in South Asian countries.

-  $(\beta_0)$  is the intercept.

-  $(\beta_1)$  is the coefficient of China investment, indicating the change in GDP growth for a one-unit change in China's investment.

-  $(\epsilon)$  is the error term.

The Correlation Analysis shows that a weak negative link, as indicated by the Pearson correlation coefficient of -0.124, was found between GDP growth and China's investment in South Asian countries. The correlation's p-value of 0.261 indicates that it was not statistically significant, implying that it might have happened by accident.

### COEFFICIENT RESULT

Table :2

Coefficient	Unstandardized coefficient		Standardized coefficient		Sig
	B	Std error	Betat		
Constant	4.234	.968		4.372	.001
China Investment	-0.01	.002	-124	-649	.522

China's investment has coefficient of -0.01 in the GDP growth model. Accordingly, it is anticipated that GDP growth will fall by 0.01 units for every unit rise in China's investment. Because the p-value (0.522) is greater than the customary significance level of 0.05, the coefficient is not considered statistically significant. This demonstrates that China's investment has little effect on the GDP growth in the model.

### 2. GDP PER CAPITA

The GDP Per capita is the second dependent variable and China investment is the independent variable. The coefficient result indicates the following data.

Table: 3

Coefficient	Unstandardized coefficient		Standardized coefficient		Sig
	B	Std error	Betat		
Constant	2.910	.912		3.191	.004
China Investment	-0.01	.002	131	-685	.499

The information does not indicate a substantial correlation between China's investments and South Asian nations' GDP per capita. With a coefficient of -0.01, China's investment is associated with a 0.01 unit drop in GDP per capita for every unit increase in investment. This association, however, does not show statistical significance (p = 0.499), suggesting that it is most likely the result of chance rather than an important trend. Thus, it appears that China's investment has little effect on the GDP per capita of South Asian countries.

**3. EMPLOYMENT**

The third dependent variable is employment and the independent variable is China Investment.

**Table: 4**

Coefficient	Unstandardized coefficient		Standardized coefficient		Sig
	B, Std error		Betat		
Constant	19.838	.705		28.121	.001
China Investment	.004	.001	492	2.937	.007

The constant term (19.838) represents the expected value of the dependent variable (employment) when all independent variables are zero.

China Investment according to the coefficient (0.04), there will be an expected change of 0.04 units in the variable (employment) for every unit rise in China's investment. The coefficient (0.004) indicates that for each unit increase in China's investment, the expected change in the dependent variable (Employment) is 0.004 units.

The standardized coefficient (0.492) indicates the relationship between China's investment and Employment, after accounting for the scales of the variables. It suggests that a one standard deviation increase in China's investment is associated with a 0.492 standard deviation increase in Employment.

The t-value (2.937) indicates that the coefficient for China's investment is statistically significant at the 0.05 level, suggesting that there is a significant relationship between China's investment and Employment.

The relationship between China's investment and employment is moderately positive, as indicated by the zero-order correlation of 0.492.

Partial Correlation: The partial correlation between China's investment and Employment, controlling for other variables in the model, is also 0.492.

Part Correlation: The part correlation represents the unique contribution of China's investment to the correlation with Employment, after controlling for other variables. In this case, the part correlation is the same as the partial correlation due to having only one independent variable.

The analysis as a whole indicates that China's investment has a noteworthy and favorable effect on employment, with higher investment levels being linked to higher employment levels.

**4. TRADE IMPORT**

The fourth dependent variable is trade import and the independent variable is China Investment. The coefficient analysis gives the result.

**Table: 5**

Coefficient	Unstandardized coefficient		Standardized coefficient		Sig
	B, Std error		Betat		
Constant	6.013	3.291		1.827	.080
China Investment	.006	.006	204	1.044	.306

For China Investment, the coefficient is 0.006. This indicates that, assuming all other factors remain same, an increase of one unit in China's investment is predicted to result in a 0.006 unit increase in trade import.

The standardized coefficient (Beta) is 0.204. This indicates the relative importance of China's investment compared to other variables in the model, on a standardized scale. A Beta of 0.204 suggests that China's investment has a moderate positive impact on Trade import.

The t-value for China Investment is 1.044, and the associated p-value is 0.306. Since the p-value is greater than 0.05. All things considered, the data points to a favorable correlation between China's trade imports and investment, although it is not statistically significant.

**5. TRADE EXPORT**

The fifth variable is trade export which is dependent variable and the independent variable is China investment in terms of belt and road initiative. The coefficient analysis specifies the following result.

**Table: 6**

Coefficient	Unstandardized coefficient		Standardized coefficient		Sig
	B, Std error		Betat		
Constant	2.913	3.233		.901	.376
China Investment	.044	.006	128	.647	.523

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When all independent variables are zero, the value of the dependent variable (Trade Export) is represented by the constant.

In this case, it suggests that when China's investment is zero, the expected value of Trade Export is approximately 2.913.

According to the coefficient for China Investment, if all other factors remain unchanged, Trade Export should rise by about 0.004 units for every unit increase in Chinese investment. For China Investment, the standardized coefficient (Beta) is 0.128. This implies that Trade Export is predicted to increase by 0.128 standard deviations for every standard deviation increase in China's investment.

The t-value tests the significance of the coefficient. In this case, the t-value is 0.647, which is less than the critical value for a significance level of 0.05, indicating that the coefficient is not statistically significant.

The significance level (Sig.) of 0.647 is greater than 0.05, indicating that the coefficient for China Investment is not statistically significant at the 0.05 level.

The correlation between China Investment and Trade Export is 0.523, suggesting a moderate positive relationship between the two variables.

### **6. ]GOVERNMENT EFFECTIVENESS**

The sixth dependent variable is government effectiveness and the independent variable is China investment. The coefficient analysis indicates following result.

**Table: 7**

Coefficient	Unstandardized coefficient		Standardized coefficient		Sig
	B, Std error		Betat		
Constant	-845	.076		-11.122	.001
China Investment	.000	.000	456	2.615	.015

"China Investment" has an unstandardized coefficient of 0.000. For every unit change in the independent variable (China Investment), this number represents the change in the dependent variable (Government Effectiveness). With all other variables held constant, the coefficient of 0.000 indicates that there is no change in the Government Effectiveness for a one-unit change in China Investment.

"China Investment" has a standardized coefficient (Beta) of 0.456. Once the variables have been normalized, this value depicts the direction and strength of the link between China Investment and Government Effectiveness.

China Investment and Government Effectiveness have a somewhat positive association, as indicated by the beta value of 0.456. This implies that Government Effectiveness tends to rise along with China's investment.

The t-value for "China Investment" is 2.615, and the significance value (Sig.) is 0.015.

The t-value indicates the extent to which the coefficient differs from zero. A higher t-value suggests a more significant relationship.

The significance value (Sig.) of 0.015 is less than the conventional alpha level of 0.05, indicating that the relationship between China Investment and Government Effectiveness is statistically significant.

The zero-order correlation between China Investment and Government Effectiveness is 0.456, indicating a positive relationship.

The partial correlation and part correlation are both 0.456, indicating that the link between China Investment and Government Effectiveness does not change when other variables are taken into account. The analysis concludes that China's investment and government effectiveness have a moderately positive, statistically significant link

### **7. EXTERNAL DEPT**

The seventh dependent variable is external dept and the independent variable is China investment. The coefficient analysis gives the following result.

**Table: 8**

Coefficient	Unstandardized coefficient		Standardized coefficient		Sig
	B, Std error		Betat		
Constant	37.910	4.737		8.003	.001



China Investment	.001	.009	.024	.122	.903
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The analysis found that for every unit increase in China's investment in South Asian countries, the external debt of these countries increased by 0.001 units, on average. However, this result was not statistically significant, meaning that this small increase could have occurred by random chance and is not necessarily due to China's investment. Therefore, based on this analysis, it does not appear that China's investment has a substantial impact on the external debt levels of South Asian countries.

### FINDINGS

- China's investment in the BRI does not significantly impact the GDP growth of South Asian countries, including Pakistan, Bangladesh, Sri Lanka, Maldives, and Bhutan.
- The GDP Per capita is not statistically significant in terms of BRI.
- Positive and notable effect on employment in South Asian countries, suggesting BRI Project contribute to job opportunities.
- Moderately favorable impact suggesting a rise in imports as a result of the BRI Initiative.
- The Moderately positive association suggest that BRI Initiative increase export.
- A balanced relationship suggests a beneficial influence on the efficiency of government institutions.
- Not statistically significant, suggesting BRI projects may not significantly increase external debt levels.

### RECOMMENDATION

- Focus on funding infrastructure projects that have the potential to improve trade and connectivity with in the region and beyond.
- Ensure that BRI Projects are in line with the development priorities and policies of South Asian countries to maximize their impact on economic growth and development.
- Take steps to improve local workers abilities so they can take full advantage of job opportunities brought forth by BRI Project.
- To make sure that BRI projects don't result in unmanageable debt loads, keep an eye on the amount of external debt that South Asian nations are carrying.
- . In order to reduce risks and guarantee the long-term viability of BRI projects, encourage openness and sound governance standard.
- In order to maximize the potential advantages of BRI projects and tackle shared issues, promote increased regional collaboration amongst South Asian nations.

### CONCLUSION

For many regions of the world, the China Belt and Road Initiative have the potential to increase trade, investment, and job opportunities. This study examines the effects of the Belt and Road Initiative on the economies of South Asian nations. In it, the multiple regression analysis is applied. The results imply that the Belt and Road Initiative's Chinese investment has a mixed effect on the economies of South Asian nations. The GDP growth and GDP Per capita has not significant impact, but it is a positive and significant impact on employment, which indicates more job opportunities provided the BRI project which is also benefited for South Asian countries. The BRI also shows a moderate impact on the trade import and export which also increases economic activities. However its impact on the government effectiveness and dept level is not statistically significant. Overall the BRI appears to have positive effect on the certain aspects of economy. Further future research and analysis are necessary to understand the impact of BRI on the economy of South Asian countries.



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