

**NEWSLETTER 2019-11****CALENDAR:****IOS Seminar**

Oleksandr Shepotylo (Aston University Birmingham):  
*"Belt and Road": The "China Dream"?*

Tuesday, June 4

13:30–15:00

WiOS 109 (Landshuter Str. 4)

**Lunch Seminar**

Sigrid Suetens (Tilburg University):  
*t.b.a.*

Wednesday, June 5

12:00–13:30

VG 2.35

## ABSTRACTS:

**IOS Seminar**

Oleksandr Shepotylo:

*"Belt and Road": The "China Dream"?*

*Abstract:* This paper explores the impact of the Belt and Road Initiative (BRI), in terms of changes to trade costs and investment, on trade and consumer welfare in China, the EU and the rest of the World. We look at how these welfare changes compare to the gains from signing shallow and deep FTAs with the EU, as well as analyzing the interplay of the BRI with mega trade deals (TTIP and TPP) and evaluating the dynamics of the welfare changes over time. We employ a structural gravity approach, where the production side is modeled using mobile capital flows in the form of physical capital and FDI. Our results indicate substantial gains from the BRI for China and the EU where a 30 percent reduction in transportation costs between China and the EU would increase the welfare of a representative consumer in China by 1.51 percent and the EU by 0.97 percent. On the other hand, we find that signing and implementing an FTA between China and the EU is equivalent to transport cost reductions of approximately 45 percent. Whereas, combining the BRI with a deep FTA would increase welfare by 4.90 and 2.94 percent, respectively. The potential negative effect of the TPP on China is more than compensated by the BRI initiative, and Chinese investment would further increase welfare of the countries participating in this project.

We gratefully acknowledge financial support of the Departmental Seminar by the Regensburger Universitätsstiftung Hans Vielberth.

**RegensburgEconNews**

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Editorial deadline for Newsletter No. 2019-12:  
Wednesday, June 4 – 11 am

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