

Determinants of Chinese Foreign Direct Investment: Lessons from CAREC Countries.

Authors

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- Kolstad, I., & Wiig, A. (2011). Better the devil you know? Chinese foreign direct investment in Africa. *Journal of African Business*, 12(1), 31-50.

TABLE 3 Determinants of Chinese Foreign Direct Investment to African Countries

	Regression 1	Regression 2	Regression 3 (ex. S. Africa)
GDP	1.74E-10** (6.41E-11)	1.20E-10* (6.32E-11)	2.26E-11 (7.09E-11)
Trade	-0.04 (0.08)	-0.1 (0.08)	-0.12 (0.09)
Inflation	-0.06 (0.11)	-0.04 (0.11)	-0.05 (0.10)
Institutions	-9.29 (9.09)	-0.45 (6.86)	1.47 (6.45)
Natural resources	54.69 (33.55)	-36.5 (51.57)	-42.94 (55.20)
Institutions + natural resources		-132.38* (67.87)	-151.93* (74.01)
Constant	1.41 (6.34)	9.77 (7.04)	13.04 (7.80)
R-sq	0.33	0.4	0.4
Obs	29	29	28

Note. White standard errors in parentheses.

*** $p < .01$; ** $p < .05$; * $p < .10$.

Methodology

- Sample Size and Sample Period: 2001-2012 for 8 CAREC Countries namely, Afghanistan, Azerbaijan, Tajikistan, Georgia, Mongolia, Pakistan, Kazakhstan and Kyrgyz Republic.

Type of Dataset: Un balanced Panel Data.

Estimation Technique: System Generalized Methods of Moment (GMM)

Model Specification

$$\begin{aligned} \text{Chinese Outward FDI} = & \alpha_0 + \beta_1 \text{GDP}_{i,t} + \beta_2 \text{Trade}_{i,t} + \beta_3 \text{Inflation}_{i,t} + \\ & \beta_4 \text{Institutional Quality}_{i,t} + \beta_5 \text{Natural Resources}_{i,t} + \mu_{i,t} \end{aligned} \quad (1)$$

$$\begin{aligned} \text{Chinese Outward FDI} = & \alpha_0 + \beta_1 \text{GDP}_{i,t} + \beta_2 \text{Trade}_{i,t} + \beta_3 \text{Inflation}_{i,t} + \beta_4 \text{IQ} * \text{NR}_{i,t} + \\ & \mu_{i,t} \end{aligned} \quad (2)$$

Results

Table 1: Regression Estimates for Main Specification

<i>Variables</i>	<i>Model 1 (Panel A)</i>		<i>Model 2 (Panel B)</i>	
	<i>Coefficient</i>	<i>Prob.</i>	<i>Coefficient</i>	<i>Prob.</i>
<i>LGDP</i>	0.812	0.002***	1.010	0.000***
<i>NR</i>	0.0463	0.050**	----	----
<i>IQ</i>	-0.112	0.324	----	----
<i>NR*IQ</i>	----	----	0.0284	0.001***
<i>TO</i>	0.016	0.125	0.0138	0.143
<i>INF</i>	0.0173	0.010**	0.0163	0.010**

Note: Dependent Variable: Log of Chinese FDI inflows

Lag 1 of the dependent variable is used for empirical estimations and was found significant.

*** and *** denote 5% and 1% level of significance, respectively.*

Source: Authors' Estimations

Table 2: Regression Estimates with the Dummy Variable for Landlocked Countries

<i>Variables</i>	<i>Model 1 (Panel A)</i>		<i>Model 2 (Panel B)</i>	
	<i>Coefficient</i>	<i>Prob.</i>	<i>Coefficient</i>	<i>Prob.</i>
<i>LGDP</i>	0.540	0.093	0.958	0.001
<i>NR</i>	0.0505	0.034	----	----
<i>IQ</i>	-0.116	0.309	----	----
<i>NR*IQ</i>	----	----	0.0277	0.003
<i>DI</i>	2.142	0.132	0.450	0.749
<i>TO</i>	0.0198	0.071	0.0147	0.137
<i>INF</i>	0.0200	0.004	0.0170	0.012

Note: Dependent Variable: Log of Chinese FDI inflows

Lag 1 of the dependent variable is used for empirical estimations and was found significant.

*** and *** denote 5% and 1% level of significance, respectively.*

Source: Authors' Estimations

Table 3: Regression Estimates for Rest of the World

<i>Variables</i>	<i>Coefficient</i>	<i>Prob.</i>
<i>LGDP</i>	0.001	0.003***
<i>NR</i>	-4.121	0.036**
<i>IQ</i>	-22.897	0.418
<i>TO</i>	1.160	0.008***
<i>INF</i>	7.297	0.091*

Note: Dependent Variable: Log of Chinese FDI inflows

Lag 1 of the dependent variable is used for empirical estimations and was found significant.

, ** and * denote 1%, 5% and 1% level of significance, respectively.*

Source: Authors' Estimations