Chinese Foreign Direct Investment and Business Start-ups in Africa

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Abstract

This paper assesses whether the ease of starting a business induces Chinese FDI flow to Africa using panel data on 46 African countries between 2004 and 2018. Through fixed effect estimations, this paper finds that Chinese FDI is attracted by the ease of starting a business in African economies. This finding also holds for sub-Saharan Africa (SSA) and is robust across all estimations. The results also provide corroborating evidence that identifies Chinese FDI as market and resource-seeking, attracted to large markets and economies with abundant natural resources. The findings suggest that improving business regulations could turn out to be a stimulant for Chinese FDI flow to Africa.

Keywords: Africa; China; foreign direct investment; FDI; doing business
JEL classification: C23; F21; O10

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1 Introduction

Until the late 1990s, the investment horizon, especially in Africa, had largely been dominated by the West, however, China has over the years rapidly increased its global investment presence. Statistics from China Africa Research Institute (CARI) indicate that the flow of Chinese FDI to Africa rose from $0.075 billion in 2003 to $5.389 billion in 2018; while that of the United States of America (US) declined from $2.7 in 2003 billion to $-2.5 billion in 2018 (see Figure 1 and 2). During this same period, Chinese global outward FDI stock rose from $33.2222 billion in 2003 to $1982.27 billion in 2018 (Guterres, 2020).

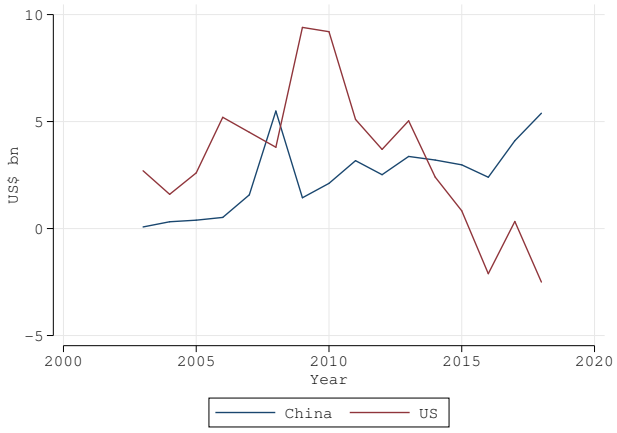

Figure 1: The Trend of Chinese and US FDI Flow to Africa
Source: Author's, based on data from CARI

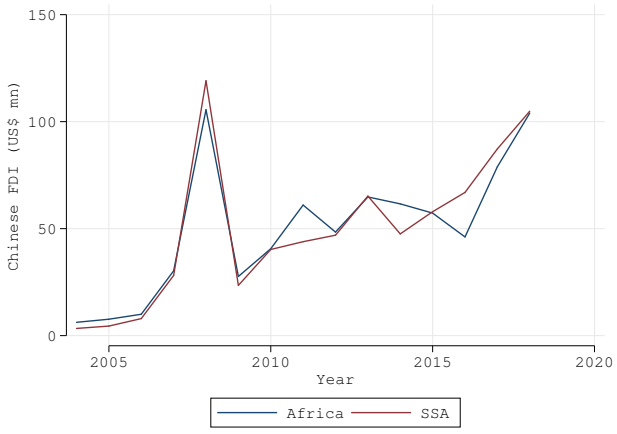

Figure 2: Trend of Chinese FDI flows to Africa (for 46 countries in the sample data)
Source: Author's, based on data from CARI

China's rising investment rate has drawn concerns on how its rise in the global investment scene is affecting that of the West. Such concerns are even exacerbated by the fact that with the support of the government, Chinese firms, especially State-Owned Enterprises (SOEs) or State-partnered ones, can access capital at below-market rates, providing them with a soft budget constraint that can easily crowd out their Western competitors (Lardy, 1998; Scott,

2002; Warner et al., 2004; Yao et al., 2010). Already, Chinese FDI has been found to displace that of OECD countries (Yao and Wang, 2014).

China's enormous FDI flows to Africa has engendered a considerable number of studies, both qualitative and quantitative, on the determinants of Chinese FDI flow to Africa. A review of such studies is presented in the next section. In the quest of identifying FDI determinants, a growing body of studies has focused on assessing the relationship between the business regulatory environment and FDI flow into economies. This nexus has particularly been kindled by the business regulatory indicators provided by the World Bank Doing Business (WBDB) project since its first release in 2003. The WBDB project researches the business environment of various economies and provides measures on regulations that enhance and constrain business activities; the resulting measures/indicators, 10 in total, are each scored on a range between 0 (worst performance) to 100 (best performance). Accompanying these indicators is the ease of doing business score which is a composite score of the 10 indicators and reflects the overall state of a country's business regulatory environment. Consequently, a considerable number of studies have used these measures to assess how the business regulatory environment impacts total FDI flows. Some studies have assessed how the ease of doing business impacts total FDI flow (Aziz, 2018; Corcoran and Gillanders, 2015; Jayasuriya, 2011), while various others have assessed how the disaggregated indicators such as contract enforcement, trade across borders, getting credit and registering property influence total FDI flow (Contractor et al., 2020; Hassan et al., 2018; Jovanovic and Jovanovic, 2018; Nketiah-Amponsah and Sarpong, 2020).

Despite the considerable number of studies on the determinants of Chinese FDI in Africa and those on the business regulations-FDI nexus, the author does not find any existing study that assesses the relationship between the WBDB business regulatory indicators and Chinese FDI flow to Africa. Chinese FDI has become an integral investment source to most African economies, thus, it is desirable to assess how this important FDI flow is affected by the business regulatory environment in African economies. Knowledge of this relationship would suggest avenues through which the business regulations could be modified to promote healthy FDI flows from China. This paper, therefore, tries to address this gap by assessing whether the ease of starting a business stimulates Chinese FDI flow to Africa. By addressing this question, this research makes a considerable contribution to the literature on Chinese FDI in Africa. The ease for foreign firms to start businesses varies across economies; the requirements could be either hindering or stimulating. Statistics from the World Bank shows that it takes, on average, 22 days to start a business in SSA, 20 in the Middle East and North Africa (MENA), compared to the world average of 20 . The figure reduces to 3 days in Noth America. Since investors have a pool of countries to choose from in deciding where to invest, these variations in business startup requirements can be crucial to decision making. Also, the data (2004 - 2018) used for this study provides an upgrade on most of the existing ones. As will be seen in the literature review, most of the literature on the determinants of Chinese FDI flow to Africa are quite dated. Perhaps, the pattern of Chinese FDI flow to Africa has been changing over time, hence analysing this trend using a more recent and extended period of data can identify any changing trend that might have developed.

Using fixed effect estimation on panel data within the period 2004 to 2018, this paper finds that Chinese FDI is attracted to economies where starting a business is relatively easier. This finding is robust across varying estimations and equally holds for the SSA sub-sample. The results also provide corroborating evidence that identifies Chinese FDI as market and resource seeking; attracted to large market sizes and economies with abundant natural resources. Further, Chinese FDI is stimulated by good infrastructure but repelled by rising inflation rates and debts, thus, corroborating the assertion that macroeconomic factors are important to Multi-National Enterprises' investment decisions (Dunning, 1998). These findings provide

insights that could be beneficial to policy formulation.
The rest of this paper is structured as follows; in Section 2, a review of related literature is presented; the data and methodology used are presented in Section 3; the estimation results are presented in Sections 4 and 5 and the conclusion is captured in Section 6.

2 Literature Review

The last three decades have seen a staggering rise in Chinese investment in African economies, prompting a plethora of studies on the determinants of Chinese FDI in Africa.
These studies have shown that Chinese FDI in Africa is mainly resource and market-seeking. The resource-seeking motive of Chinese FDI means that Chinese FDI is attracted to African economies with abundant natural resources (Claassen et al., 2011; Drogendijk and Blomkvist, 2013; Klaver and Trebilcock, 2011; Kolstad and Wiig, 2011; Mourao, 2018). Early Chinese investments in Africa were, however, not mainly resource seeking (Cheung et al., 2012; Cheung and Qian, 2009) thus, the resource-seeking factor has been identified as a recent characteristic that perhaps became pronounced after China decided to go global through the 'go global" policy in 2002 (Cheung et al., 2012). Since then, Chinese FDI has been mainly concentrated in natural resource-abundant economies such as South Africa, Zambia, the Democratic Republic of Congo and Nigeria. The market and resource-seeking motive of Chinese FDI suggests that natural resource-abundant economies that provide large markets are likely to be the choicest destination in Africa for Chinese FDI. This is evident in the high FDI flows to large economies such as South Africa and Nigeria.
In the light of institutional quality and political risks, there seems not to be a consensus on how Chinese FDI is determined by these. The lack of consensus is largely driven by the differences in the indicators of institutional quality. Studies that argue that Chinese FDI is induced by poor institutions in Africa assert that Chinese investors take advantage of economies where rule of law is poor, characterised by high levels of corruption and political risks (Cheung et al., 2012; Claassen et al., 2011; Kolstad and Wiig, 2011). However, those that provide contrasting evidence show that Chinese investors direct their investments towards economies with good institutions in the form of political stability (Cheung et al., 2012; Drogendijk and Blomkvist, 2013; Mourao, 2018), good regulations and effective government (Mourao, 2018). As theory suggests, open economies are more likely to receive FDI, this applies to Chinese FDI as well, having been identified as attracted to open economies (Drogendijk and Blomkvist, 2013; Kolstad and Wiig, 2011) especially those that they trade with more (Cheung et al., 2012).
This review confirms the richness of literature on the determinants of Chinese FDI in Africa, nevertheless, a gap remains. These studies have largely focused on the macroeconomic determinants, resource endowments and the overall institutional quality in assessing the stimulants of Chinese FDI flows into African economies. However, it also remains desirable to assess how the business environment in the form of country-level business regulations influences these FDI flows. These business regulations manifest in the form of procedures, requirements and rules such as business start-up requirements and processes, registration procedures, access to credit, cross-border trade and tax payment policies; these regulations which govern businesses business vary across economies and therefore could either stimulate or hinder FDI flows dependent on how their application affect investors (Contractor et al., 2020; Ostrom, 2009) refers to these as this business climate and has been identified as important to FDI decisions. Country-level business regulations, feasible for cross country comparisons are provided by the WBDB project since its first release in 2003 and has consequently inspired research into how these country-level business regulations influence FDI flows (Aziz, 2018; Contractor et al., 2020; Corcoran and Gillanders, 2015; Hassan et al., 2018; Jovanovic and Jovanovic, 2018; Nketiah-Amponsah and Sarpong, 2020; Vogiatzoglou, 2016).

As indicated earlier, the ease of doing business score measures the overall business climate of a country. Research shows this positively impacts FDI flows (Aziz, 2018; Morris and Aziz, 2011; Vogiatzoglou, 2016). Jovanovic and Jovanovic (2018), however, assert that the impact is not too robust, raising concerns that perhaps the impact is considerably dependent on other regional or country characteristics. This is compounded by the finding that the ease of doing business has no significant impact on FDI flows to developing economies (Jayasuriya, 2011). Some researchers have moved away from using the ease of doing business score to adopting the disaggregated business regulation indicators for analysis. Analysing the respective business regulations reveals they have varying effects on FDI flows in different economies and regional blocks. For example, the ease to trade across borders has been identified as an attracting factor to FDI flow (Contractor et al., 2020; Corcoran and Gillanders, 2015; Jovanovic and Jovanovic, 2018; Morris and Aziz, 2011), although this is not the case for SSA (Corcoran and Gillanders, 2015). The ease of starting a business has been found to impact FDI flows positively (Contractor et al., 2020; Nketiah-Amponsah and Sarpong, 2020) and negatively as well (Hassan et al., 2018); enforcing contracts has also been identified as a stimulant for FDI flows (Jayasuriya, 2011).

3 Data and Methodology

3.1 Data

In assessing whether the ease of starting a business attracts Chinese FDI flows to Africa, I use panel data on 46 African countries from the period from 2004 to 2018; Appendix Table A1 presents the list of countries in the sample. Chinese FDI is measured as the flow of FDI from China; this data is obtained from the China Africa Research Initiative (CARI). In all the estimations, the log of Chinese FDI flow which I measure as $log(1 + FDI)$ is used. The main independent variable of interest is starting a business (which is also referred to as 'ease of starting a business" in this paper). This is one of the business regulation indicators provided by the WBDB project. Starting a business is measured as the procedures, duration, cost and capital requirements needed to formally operate a limited liability company in a country. It is scored on a range between 0 (worst performance) to 100 (best performance), thus higher values indicate relative ease of starting a business. To improve the reliability of the obtained findings, all other variables considered in this research are those that have been evidenced as important in FDI-determining models. Market size is measured as the percentage of Gross Domestic Product (GDP) growth. Trade openness is measured as the sum of imports and exports as a percentage of GDP. I measure the natural resource endowment of countries using coal and gas rent as a percentage of GDP. Institutional quality is measured using three variables; government effectiveness, rule of law and regulatory quality. These are sourced from the Worldwide Governance Indicators (WGI), developed by Kaufmann et al. (2010). The WGI are arrived at based on data obtained from over 30 sources and aggregated using the unobserved components model; they range from approximately -2.5 to 2.5, with higher values indicating better performance. Citizenry welfare is proxied by the Human Development Index (HDI) provided by the United Nations Development Programme (UNDP). UNDP develops the HDI as the composite mean score of three indicators; health, knowledge, and standard of living for every country. Infrastructure is measured as the percentage of the population using the internet. Debt represents countries' debt to GDP ratio; inflation is the annual inflation rate. Data on infrastructure, market size, trade openness, debt, inflation, coal and gas rent are all sourced from the World Development Indicators (WDI). Table 1 presents the summary statistics of all the variables.

Table 1: Summary Statistics

	Mean	SD	Min	Max
Log of Chinese fdi flow	2.504	1.965	-1.715	8.478
Starting a business	60.445	21.208	2.206	94.508
Market size	4.644	4.317	-36.392	33.629
Inflation	7.826	10.880	-21.165	100.658
Debt	0.333	0.247	0.007	1.539
Trade openess	71.669	35.778	19.101	325.440
Infrastructure	11.862	14.316	0.190	64.804
HDI	0.504	0.110	0.276	0.796
Coal rent (% of GDP)	0.135	0.637	0.000	7.869
Gas rent (% of GDP)	0.281	0.798	0.000	4.522
Rule of law	-0.652	0.600	-1.852	1.029
Regulatory quality	-0.627	0.575	-2.244	1.127
Government effectiveness	-0.717	0.587	-1.848	1.057

3.2 Methodology

To estimate the impact of the ease of starting a business on Chinese FDI flow to Africa, the following equation is estimated;

$$fdi_{it} = \beta_0 + \beta_1 startbus_{it} + \beta_2 market_{it} + \beta_3 inflation_{it} + \beta_4 debt_{it} + \beta_5 openness_{it} + \beta_6 infrastructure_{it} + \beta_7 HDI_{it} + \beta_8 resources_{it} + \beta_9 institutions_{it} + \epsilon_{it} \quad (1)$$

where fdi_{it} refers to Chinese FDI flow into country i in year t; $startbus$ is the score of starting a business, $market$ represents market size; $openness$ represents trade openness; $resources$ is a vector of coal rent and gas rent; $institutions$ is a vector of the institutional quality variables; government effectiveness, rule of law and regulatory quality; ϵ_{it} is the error term. $inflation$, $debt$, $infrastructure$ and HDI are as their names imply.

Earlier studies show that Chinese FDI is attracted to economies with large market sizes, abundant natural resources (Buckley et al., 2007; Kolstad and Wiig, 2011, 2012; Zhang and Daly, 2011) and open economies, especially those that trade more with China (Drogendijk and Blomkvist, 2013; Zhang and Daly, 2011). Consequently, it is expected market size, coal rent and gas rent will be positive and significantly related to Chinese FDI flows. Though there is no consensus yet on the kind of institutional quality that attracts Chinese FDI, I expect this relationship to be positive, since recent studies argue for a positive relationship between institutional quality and Chinese FDI flow to Africa. Following theory, infrastructure is expected to positively affect Chinese FDI flows while inflation and debt are expected to be negatively correlated with Chinese FDI. To assess whether the ease of starting a business attracts Chinese FDI, I estimate equation (1) using fixed-effects estimation. The fixed-effects estimation is able to account for the country-level unobserved heterogeneity that may influence obtained estimates. To sufficiently deal with any serial correlations that may be present in the estimation model, I use Stata's xtregar command to run all estimations. Model (1) is also estimated for only sub-Saharan Africa (SSA) countries.

4 Results

4.1 Chinese Aid and Business Start-ups

Table 2 presents the estimation results of the impact of starting a business on the flows of Chinese FDI. Columns 1, 3 and 5 presents the findings for the full sample of countries while columns 2, 4 and 6 present those for SSA. Since the institutional quality variables are highly correlated, capturing them in the model simultaneously may raise concerns of multicollinearity. Consequently, in columns 1 and 2, rule of law is estimated, followed by regulatory quality in columns 3 and 4 and government effectiveness 5 and 6. The results confirm the positive impact the ease of starting a business has on Chinese FDI flow. Starting a business is positive and strongly significant at 1% significance level in all six (6) columns, indicating that improvement or ease in the processes involved in starting a business such as fewer procedures, time and lower costs leads to increased Chinese FDI flows.

As expected, market size, measured as percentage of annual GDP growth, is positive and significant at 5% significance level in all the columns, confirming that large markets attract Chinese FDI. The coefficient of SSA is slightly higher than those of the full sample, implying that Chinese investors are more likely to be attracted to larger markets in SSA. Coal rent and gas rent, proxies for the natural resource endowment, are positive and significant at 5% significance level in all columns; indicating that high natural resource endowment stimulates flows of Chinese FDI; in other words, Chinese FDI is resource seeking. It is therefore not surprising that the top 5 destinations for Chinese FDI in Africa; South Africa, the Democratic Republic of Congo, Zambia, Nigeria and Algeria, four of which are in SSA, are highly resource-endowed countries. Infrastructure shows a strong association with Chinese FDI flows; in all columns, it exhibits strong positive significance at 1% significance level. These findings corroborate that of earlier studies that find that Chinese FDI are attracted to economies with large markets and abundant natural resources (Buckley et al., 2007; Kolstad and Wiig, 2011, 2012; Zhang and Daly, 2011) thus market and natural resource seeking, similar to Western FDI (Asiedu, 2006; Asiedu and Lien, 2011; Webster et al., 2015).

Inflation is expected to inhibit FDI flows. Investors are likely to be deterred from investing in economies where inflation rates are susceptible to continuous rise; this is confirmed by the results in Table 2. Inflation exhibits a weak negative significance at 10% significance level. Debt, another FDI deterrent, shows a relatively stronger negative significance at 5% significance level in all columns. From the estimates, rising levels of country debts inhibit flows of Chinese FDI to a greater extent than rising inflation rates. The impact of inflation on Chinese FDI flow is stable in both the full sample and that of SSA. Debt, however, shows some considerable variation between the full sample and SSA countries. For the full sample, debt is negatively significant at 5% significance level but drops to 10% significance level in the SSA sample. Also, the coefficients of debt are higher (less negative), suggesting that the negative impact of debt on Chinese FDI flow is less pronounced in SSA. For both the full sample and SSA, the estimates for trade openness and HDI do not attain significance. Though the institutional quality variables, rule of law, regulatory quality and government, effectiveness exhibit a positive relation, all three do not attain any significance in all columns. Thus, this paper does not find evidence to contribute to the argument on the kind of institutional quality Chinese FDI is attracted to. A possible explanation for this positive but non-significant relationship is that perhaps, the association between Chinese FDI and institutional quality is changing in recent times. Since this study uses relatively more recent data, compared to earlier studies, it is possible that China, in recent times, has altered its motive of investing in institutionally poor economies.

Overall, the results show that improving the business regulatory environment in the form of

Table 2: Impact of Ease of Starting a Business on Chinese FDI Flows to Africa

VARIABLES	(1) Full sample	(2) SSA	(3) Full sample	(4) SSA	(5) Full sample	(6) SSA
Starting a business	0.024***	0.021***	0.024***	0.021***	0.024***	0.022***
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Market size	0.025**	0.028**	0.027**	0.031**	0.026**	0.030**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)	(0.012)
Inflation	-0.009*	-0.009*	-0.009*	-0.009*	-0.009*	-0.009*
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
Debt	-0.807**	-0.734*	-0.781**	-0.692*	-0.808**	-0.734*
	(0.385)	(0.397)	(0.391)	(0.408)	(0.384)	(0.396)
Trade openess	-0.005	-0.004	-0.006	-0.005	-0.006	-0.005
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
Infrastructure	0.032***	0.032***	0.034***	0.035***	0.033***	0.034***
	(0.008)	(0.009)	(0.008)	(0.009)	(0.008)	(0.009)
HDI	2.403	4.055	2.298	3.915	2.209	3.855
	(2.340)	(2.487)	(2.369)	(2.500)	(2.338)	(2.485)
Coal rent (% of GDP)	0.269**	0.264**	0.261**	0.258**	0.263**	0.260**
	(0.129)	(0.129)	(0.130)	(0.129)	(0.129)	(0.129)
Gas rent (% of GDP)	0.496**	0.667**	0.521**	0.682**	0.528**	0.684**
	(0.236)	(0.298)	(0.237)	(0.298)	(0.235)	(0.297)
Rule of law	0.598	0.664				
	(0.396)	(0.426)				
Regulatory quality			0.139	0.230		
			(0.377)	(0.435)		
Government effectiveness					0.382	0.373
					(0.373)	(0.403)
Constant	0.356	-0.216	0.136	-0.423	0.311	-0.303
	(0.722)	(0.709)	(0.722)	(0.711)	(0.732)	(0.721)
Observations	517	458	517	458	517	458
R-squared	0.127	0.149	0.165	0.192	0.152	0.185
Number of countries	46	41	46	41	46	41

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

less burdensome requirements for starting a business attracts Chinese FDI. The results also confirm earlier findings that Chinese FDI are market and natural resource seeking (Buckley et al., 2007; Kolstad and Wiig, 2011, 2012; Zhang and Daly, 2011).

4.2 Robustness Check

To check the robustness of the obtained results, the estimations are re-run after dropping the top 5 recipients of Chinese FDI. Considering both total Chinese FDI flows and average flows to Africa within the period 2004 to 2018, South Africa ranks as the highest receiver of Chinese FDI, followed by Zambia, Nigeria, Democratic Republic of Congo and Algeria respectively. Chinese FDI in these five countries accounted for 43.93% of the total Chinese FDI flow into Africa within the period 2004 to 2018. Perhaps the high Chinese FDI compositions of these

countries are the main drivers of the results; hence the estimations are carried out again after these countries are omitted. The results of this robustness check are presented in Table 3. As emphasized earlier, to avoid multicollinearity concerns, the institutional quality variables are controlled separately. Rule of law is captured in column 1, while regulatory quality and government effectiveness are captured in columns 2 and 3, respectively.

From Table 3, starting a business is highly robust, exhibiting a strong positive significance in all 3 columns and confirms that the initial finding is not driven by the presence of the top receivers of Chinese FDI. Market size, however, loses significance in all columns; this implies that the stimulation of Chinese FDI by large markets is mainly associated with the top receiving economies that were omitted. This finding isn't surprising; Kolstad and Wiig (2011) similarly find that omitting South Africa from their data renders market size insignificant. Inflation is now significant at 5% significance level, a rise from 10% in Table 2; debt, however, loses significance in all the columns. Infrastructure and gas rent maintain similar significance as seen in Table 2. Coal rent becomes insignificant in all the columns, showing that its initial significance was mainly driven by the omitted countries. Kolstad and Wiig (2011) likewise do not find any significant impact of natural resource on Chinese FDI flow when they omit South Africa. A possible reason for the non-significance of coal rent in Table 3 may be due to the high coal endowments of the omitted countries, especially South Africa, relative to that of the retained countries. Trade openness, HDI and the institutional quality variables do not attain any significance, just like in Table 2.

Overall, the results are robust. Improvement in the processes required for starting a business attracts Chinese FDI flows to Africa. The results also suggest that the association between Chinese FDI and market size and Chinese FDI and coal rent is largely driven by the top Chinese FDI receiving economies.

5 Conclusion

This paper examines the relationship between Chinese FDI and the business regulatory environment in Africa, specifically assessing how the ease or difficulty in starting a business affects Chinese FDI flows into African economies. This study is one of the first attempts to examine the extent to which Chinese FDI flows are determined by the state of the business regulatory environment using the regulatory measures provided by the WBDB project. There is an added advantage of using such data. The state of the business regulatory environment varies across economies and change over time; this, therefore, needs to be considered when conducting multi-country analysis over a period of time. The regulatory measures and scores provided by the WBDB project are adjusted to allow cross-country and over time comparisons and therefore mitigate the concern of the varying state of the business regulatory environment.

The findings confirm that Chinese FDI is attracted to economies where starting a business is relatively easier. The results also provide corroborating evidence that identifies Chinese FDI as market and resource seeking; attracted to large market sizes and economies with abundant natural resources. Chinese FDI is also stimulated by good infrastructure but repelled by rising inflation rates and debts, thus, corroborating the assertion that macroeconomic factors are important to Multi National Enterprises' investment decisions (Dunning, 1998). In relation to policy formulation, these findings suggest that improving business startup requirements could be eye-catching to Chinese investors. Improvements could be in the form of reduced or simplified procedures, lessened duration for document processing and a reduction in minimum capital requirement. With such measures in place, more Chinese investors are likely to be attracted to invest in African economies. Policies that improve macroeconomic performance would also be beneficial.

Table 3: Robustness Check

VARIABLES	(1)	(2)	(3)
Starting a business	0.025***	0.025***	0.025***
	(0.006)	(0.006)	(0.006)
Market size	0.018	0.021	0.020
	(0.013)	(0.013)	(0.013)
Inflation	-0.010**	-0.010**	-0.010**
	(0.005)	(0.005)	(0.005)
Debt	-0.545	-0.539	-0.552
	(0.415)	(0.425)	(0.414)
Trade openess	-0.004	-0.005	-0.005
	(0.005)	(0.005)	(0.005)
Infrastructure	0.037***	0.039***	0.039***
	(0.008)	(0.008)	(0.008)
HDI	1.657	1.509	1.517
	(2.644)	(2.665)	(2.647)
Coal rent (% of GDP)	-0.160	-0.178	-0.169
	(0.179)	(0.179)	(0.179)
Gas rent (% of GDP)	0.587**	0.629**	0.626**
	(0.265)	(0.266)	(0.263)
Rule of law	0.653		
	(0.417)		
Regulatory quality		0.051	
		(0.421)	
Government effectiveness			0.309
			(0.391)
Constant	0.357	0.080	0.229
	(0.800)	(0.806)	(0.812)
Observations	458	458	458
R-squared	0.0737	0.104	0.0952
Number of countries	41	41	41

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

This paper provides ground for further improved research. Analysing the relationship between Chinese FDI flows and the whole set of the WBDB regulatory measures would have been an upgrade, however, this paper does not consider that due to the unavailable country scores for a significant number of these indicators. Future research could consider this analysis with improved data.

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