

# Locational Determinants of Chinese Outward Foreign Direct Investment in OECD Countries

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## **Extended Abstract**

The rise of China's outward foreign direct investment (OFDI) has raised important theoretical and empirical questions about the factors affecting the locational choices of Chinese firms. It is widely recognised that patterns of FDI across different geographical regions need to be examined over time, because factors motivating MNEs' initial investments into a country could change, which leads to investment interests in other locations.

This study intends to shed more light on the determinants of OFDI from emerging economies to developed economies, and deepen our understanding of OFDI behaviours of emerging economies. In particular, this study takes a first step toward examining the impact of human mobility on China's OFDI and fills an important research gap as only very limited attention has been paid to the impact of two-way human capital flows between China and OECD countries on the internationalisation of Chinese firms. In addition, this study also intends to use the most recent dataset, covering a time window from 1999 to 2009, to discover the possible changes of patterns of Chinese OFDI to developed countries by comparing the result to previous studies about locational determinants of Chinese OFDI. Meanwhile, more advanced econometric methods will be applied to analyse the data in order to minimise the possible biases caused by applying the inappropriate analysis methods.

This study makes a number of contributions to the existing literature. First, this study has examined the impact of a new and under-explored factor, human mobility, on location choices of Chinese OFDI. The finding of this study shows that capital flow from China to OECD countries follows human mobility. The networks built in host countries and the 'bridge' role played by this human flow are precious intangible resources for Chinese firms to expand internationally. Second, this study has used the most recent data on China's OFDI, and the results reveal some dynamic changes of motives for OFDI. The findings provide new insights into the motives of China's OFDI and contribute a better understanding of location choices of Chinese firms. Third, this study is the application of more advanced econometric techniques to investigate the endogenous nature of location choices of OFDI. Previous research on location determinants of OFDI rarely considers the endogenous nature and a possible two-way causality between OFDI and its location determinants.