

Title of paper: What Determines Inward FDI in China? — An empirical study using firm-level data

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Abstract:

Using firm-level data from Enterprise Survey of World Bank, this paper is designed to test how policy variables can affect inward foreign direct investment (“FDI”) in China.

After excluding the problems of sample selection and endogeneity, the result shows that investment promotion agencies (IPAs) and investment incentive zones (IIZs) have significant positive effect on absorbing FDI in China. Other factors such as sales volume and R&D also have significant impact. I also found both IPAs and IIZs play more important role in inviting other foreign companies to come to China than they do to Hong Kong, Macau, and Taiwan (“HMT”) enterprises. The structure of the paper is as follows: Section 1 is the introduction; Section 2 for literature review; Section 3 shows the methodology and variable configuration; Section 4 explains the data; Section 5 presents the results and Section 6 is the conclusion.

Key word: determinants of FDI, firm-level data, policy dummy, sample selection