

*International Economics*

Lilia UKRAYNETS

**THE KEY FACTORS  
OF CHINESE FOREIGN DIRECT  
INVESTMENT TO AFRICA DETERMINED  
BY MEANS OF TOBIT-ANALYSIS**

**Abstract**

The paper studies the factors that determine the direction and amount of foreign direct investment from China to African countries using Tobit-analysis. In addition to classical economic factors such as the size of the domestic market, the study included determinants specific for Sino-African relations.

**Key words:**

Foreign investment, developing countries, Tobit-analysis.

**JEL:** F02, F21.

---

© Lilia Ukraynets, 2013.

Ukraynets Lilia, Candidate of Economic Science, Associate Professor, Ivan Franko National University of Lviv, Ukraine.

## Introduction

The «Chinese miracle» has aroused interest in China's economic development, especially to those areas of economic policy, which resulted in a striking growth for last three decades. There are extremely many studies of Chinese economic growth, foreign trade, foreign exchange reserves, and instruments of attracting foreign investment to China. Also scientific discussions have been held about the process of China's integration into the globalized economy and its efforts to become one of the major players of the world economy. These studies address issue such as the balance of payments and fluctuations of the Chinese currency.

With a trade surplus and large foreign exchange reserves, China has become a global exporter of capital. China not only makes foreign direct investment (FDI) in the economy of developed countries (e. g., China has invested \$900 billion in treasury bills of the U.S.), but also provides capital for developing countries, especially those that are traditionally considered risky (e. g., Africa) and does not attract the attention of investors from developed countries. For example, according to the report of the UN in 2007 (UNCTAD, 2012) China has been recognized as one of the major exporters of capital in African developing countries.

Figure 1

### China's share in total cumulative FDI of the world and developing countries in the 1990–2010

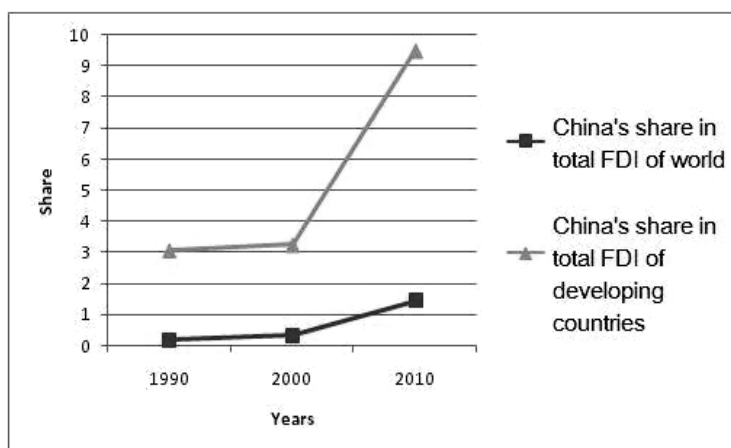
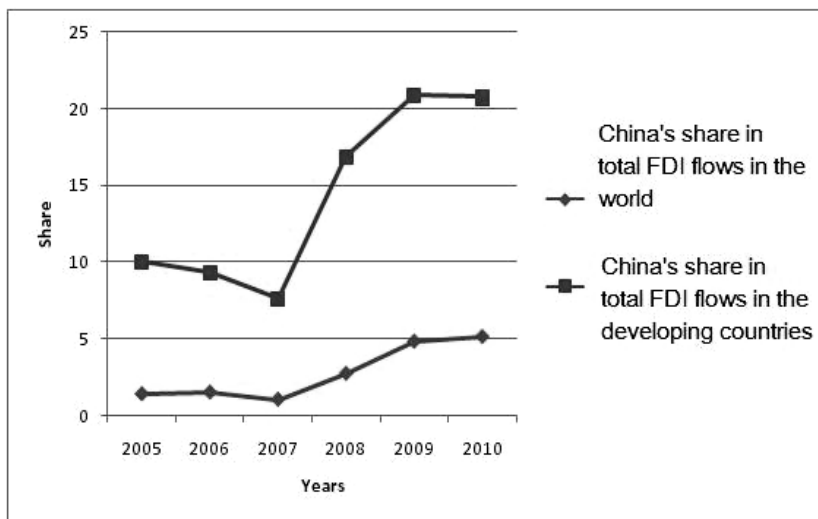


Figure 2

**China's share in total FDI flows on the world  
and developing countries in 2005–2010**



According to (World Investment Report, 2011)

Compared with the total cumulative foreign direct investment in the world, the total Chinese foreign direct investments are not big – they accounted for only 1.5% in 2010. Every year the proportion of China's foreign direct investment flows grows – in 2010 it reached 5.1% (see Fig. 1, 2).

In 2002, China launched a policy aimed at globalization (the so-called policy of «going global»). A key element of this policy was to increase the country's competitiveness in the markets of goods and resources by means of foreign investments. As a result, foreign direct investment (FDI) of China increased almost five-fold – from \$33 billion in 2003 to \$298 billion in 2010 during this period, the share of world FDI from developing countries has increased from 9% to 15% (World Investment Report, 2011).

### **The studies of Chinese investment in Africa**

Researchers agree on the idea that Chinese foreign direct investment reached a significant level and affect international economic relations in the world (Rosen. Hanemann, 2009).

China makes strategic placement of its foreign direct investment. Compared with Asia, Africa accounts for a relatively small part of total foreign investment of China. Nevertheless, China has consistently implements strategy of increasing the investment in African countries, so that in recent years, Africa has taken the 3rd place among regions recipient of Chinese investment. According to the China Statistical Bulletin for 2010, the share of Chinese FDI flows in Africa in 2003 was 2.6% and in 2010 rose to 9.8% (Statistical Bulletin of China's Outward Foreign Direct Investment, 2011). This significant increase in Chinese investment in African countries has caused a strong reaction from other countries, including the U.S., which are the major competitors of China in the struggle for African resources.

Increased foreign investment in China has caused some opposition from other countries. For example, there are concerns that Chinese companies can drive African producers out of a market, and the development of African industry is an important part of the African industrialization program proposed by developed countries. Such influence may affect medium-and long-term development of Africa and the capacity of African countries to service external debt. Number of jobs in Africa created by Chinese investment is insignificant, since Chinese enterprises are seeking to bring their own workers from China. Some concerns also apply to the possible impact of China on the environment and political reform in Africa.

However, the benefits that African countries can gain from Chinese investment are huge. Capital of China provides the necessary funds for the development of African countries which other investors neglected for various reasons. Also, it can be argued that Chinese FDI positively affect the development of infrastructure, increase productivity, increase exports and improve the living standards of millions of Africans.

The study of Chinese investment in Africa was engaged by a number of scientists (Feenstra et al., 2012; Krugman et al., 2011; Besada et al., 2008), but still there was not any econometric analysis of the factors that influence the placement of FDI in Africa. We try to empirically identify the determinants of Chinese FDI in Africa.

## **The objective of analysis**

In our analysis, in addition to such traditional economic factors related to the process of foreign investment, as the search for new markets or political risks, we also include factors typical for this case: the volume of Afro-Chinese trade, foreign aid to Africa, Chinese engineering projects in Africa and the impact of Chinese government policy «going global». Since the focus of scientific discussions dedicated to natural resources in Africa, we specifically examined the impact of extraction of energy (oil, gas, coal) and mineral resources (e. g., bauxite, copper, iron, gold, etc.) on the behavior of Chinese investors in Africa.

## **The development of Sino-African relations**

Current relations between China and African countries originate from Bandung conference in 1955, where the main issues were economic and cultural cooperation with countries of the South, the support of the right to self-determination and human rights. The course of Sino-African relations has changed in the 1980s. Since then China instead of «exporting revolution» focused on economic cooperation and development and emphasized their desire to develop friendly relations with all countries of the world irrespective of their social system or ideological orientation. However, in the 1980s the Sino-African relations were relatively weak. Trade between China and Africa reached an average of only 0.9 billion a year. In the early 1990s Chinese FDI in Africa accounted for only \$ 38 million.

Big push for the development of Sino-African relations was provided by the first forum of Sino-African cooperation (China-Africa Co-operation Forum, CACF), which was held in 2000 in Beijing. The central question of the forum was the economic cooperation between China and African countries in all sectors, from financial and agricultural development to education. Since then, China has placed in African countries the billions of investment, gave them loans at preferential terms, spent restructuring and debt repayment, transferred a number of technologies and held a series of training personnel. As a result, the volume of trade between China and African countries has increased significantly – in the early 2000s they reached an average of \$42 billion annually, and in 2010 already amounted to \$110 billion.

A similar trend was with Chinese FDI to Africa, although the total investment is still relatively small. It grew from \$33 billion in 2003 to \$ 211 billion in 2010.

Africa is the third largest recipient regions of Chinese investment, accounting for about 9.8% of all foreign direct investment of China. Investments from China come in almost every country of the African continent. The main industry where the Chinese capital was directed remained the extraction of natural resources, especially oil and gas. In this sector as of 2009 accounted for over 40% of China's FDI in Africa (Broadman and Isik, 2007). The trade and manufacturing industry accounted for 33% and 4% respectively. Thus, we can conclude that the access to natural resources is one of the most important factors that stimulate the flow of Chinese FDI to Africa.

In addition to trade and investment, another important direction of Sino-African relations is a contracted projects such as engineering works (roads, power plants, commercial and residential), training for workers, and consulting. At first China made engineering projects in Africa in the 1970s. And since then their number is constantly growing. In the 2000s, China has provided engineering services for African countries for an average of \$ 9 billion each year. Africa has become the second most important market for Chinese engineering services. The annual average amount of engineering contracts exceeds the annual investment flows of China in African countries.

In general, we can conclude that the rate of development of Sino-African economic relations have increased significantly in the early twenty-first century.

### **Econometric Tobit-analysis of FDI in China in African countries**

Although China's activities in Africa have attracted some interest, there is a lack of formal econometric analyses of the factors that drive China's FDI in Africa. Generally, we can only talk about three such studies – P. Buckley et al. (Cheung, and Qian, 2009) L.Chenha and Z.Ma (Kinggundu, 2007) and I.-V. Cheung and K. Kviana (Besada et al., 2008). One of the main reasons is lack of statistical data. China publishes data on FDI in accordance with the standards of the OECD and the IMF only since 2003. In 2008, *Commerce Yearbook* also began to publish data on portfolio investment.

In addition to the data generated by the OECD-IMF standard, we can the data on foreign direct investment in China, which were carried out with the approval of the Chinese government. They cover the period from 1991 to 2005 and include 48 of the 54 African countries. However, it should be noted that the use of these data is limited because they may underestimate the true size of China's FDI (Besada et al., 2008). However, the data also contain a number of advantages: 1) they can be used to extend the study period, and 2) they provide additional marketing information that allows analysis of political trends in China. It is clear that the economic expansion of China in Africa is the initiative as individual businesses and as well a result of deliberate policy of the Chinese government. Although some

studies proved that the political factor for FDI in China is gradually losing its weight (Krugman, 2011), however, one could argue that the Chinese government will continue conducting the strategic management of investment flows, since almost 70% of all FDI in China is made by state-owned enterprises. Thus, the statistics on investments made with the support of the Chinese government provide an opportunity to analyze the economic and the political dimension of Chinese investment.

However, the use of these data for econometric research is hampered by the fact that the Chinese government supports FDI selectively and irregularly. For example, FDI to Algeria in the years 1991-1999 were carried out without the support of the Chinese government, as in our sample statistics data volume of investment during this period is zero. To use this feature of Chinese statistics, we used Tobit regression analysis, which allows analyzing the factors that determine the direction and scope of China's FDI to African countries. Tobit method, which ignores the values that are zero, thus avoiding bias estimation due to data structure.

According to the method of Tobit regression analysis, we conduct testing using maximum likelihood (MSE) of all data on FDI. As with many existing studies of FDI regression equation is built according to the specifications of gravity models:

$$ODI_{it} = \alpha + \beta_1 MKT_{it-1} + \beta_2 XCH_{it-1} + \beta_3 ECI_{it-1} + \beta_4 NTR_{it-1} + \beta_5 RISK_{it} + \varepsilon_{it} \quad (1)$$

Dependent variable  $FDI_{it}$  is a flow of Chinese FDI in the host country  $i$  at time  $t$ , normalized by population of the recipient country to enable comparisons between countries of different sizes.

$MKT_{it-1}$  is a vector that contains three market factors of Chinese FDI – GDP, RPCI and RIGR. GDP is the logarithm of the gross domestic product of the host country, measured in U.S. dollars. It defines the scope of the internal market, to which China gets access through FDI undertaken. RPCI is real per capita income of the recipient country, another commonly used market indicator. RIGR is real income growth rate in the host country, which is a measure of potential market growth. We anticipate that these three variables have a positive coefficient if China uses its investment strategy to find new markets. Data for the calculation of these variables we received from the database «World Development Indicators», which is formed by the World Bank.

The volume of FDI also is affected by the local exchange rate. Empirical studies show that FDI is higher when the local currency is cheap. Therefore, we included a variable  $XCH_{it-1}$  that determines the price of dollars in local currency of the recipient country. Higher values  $XCH$  means cheaper local currency, and therefore can be expected to increase the level of FDI. Therefore, it is expected that the coefficient  $XCH$  is positive. Data on exchange rate derived from statistical compilations IMF.

$ECI_{it-1}$  is a vector that describes three variables of Chinese economic engagement with Africa – the share of trade with China in the foreign trade of the

recipient country ( $XM$ ), humanitarian aid received from China ( $Aid$ ), contracted projects that China received from the host country ( $Proj$ ).  $XM$  is measured as the ratio of foreign trade with China to the total volume of foreign trade of the recipient country, reflecting the importance of the country as a supplier of raw materials to China and as a market for Chinese manufactured goods. More important indicator  $Aid$  may indicate a closer relationship between China and the host countries, respectively, a more favorable climate for Chinese investment. Contracted projects, as mentioned above are another important part of China's economic expansion into Africa. For contracts the most important factor is the support of local authorities (Feenstra et al., 2012). Accordingly, the greater number of contracts implies established relationships with local officials, which is a favorable factor for the allocation of investments in the country. In addition, during the execution of the contract the company gets the most reliable and complete information about the investment climate in the country, which may also affect its willingness to invest in the future. Therefore, we assume that the execution of contracts by China in African countries is a favorable factor for the increase in FDI. Thus, all three variables –  $XM$ ,  $Aid$ ,  $Proj$  – positively affect investment in China to African countries. Data of  $XM$  are obtained from statistical reports of IMF Trade, data on  $Aid$  are from database «World Development Indicators» of World Bank, data on  $Proj$  are from the «Almanac of Foreign Economic Relations and Trade of China» (1992-2011)

As it was argued in some studies (Feenstra et al., 2012) China's investment in Africa primarily directed to sources of natural resources. To verify this claim, we used  $NTR_{it-1}$ , vector characterizing the natural resources of the recipient and contains the following parameters:  $Engy$  and  $Minl$ .  $Engy$  – is production of energy (oil, gas and coal), normalized by gross national income (GNI) of the recipient country, and  $Minl$  is a mining of other minerals (bauxite, copper, gold, iron ore, etc.), normalized by GNI. These parameters measure the supply of natural resources in the host country. If the main factor determining FDI of China in Africa are really natural resources, the  $Engy$  and  $Minl$  in our regression analysis will be positive. Data for  $Engy$  and  $Minl$  are obtained from the database «World Development Indicators» of World Bank.

Historically, Africa is marked by high political risks. Because of this, investors from developed countries traditionally bypass Africa. Except for a few oil producing countries in Africa, the majority of capital inflows to the region is a financial assistance of Western countries. To test whether the political risks have much impact on investment in China, we included in our analysis vector  $RISK_{it}$ , which includes six dimensions of political risk: economic conditions ( $Econ$ ), risks of political system ( $Pol$ ), risks of armed conflicts ( $Cnfl$ ), risks of social unrest ( $Scnt$ ), corruption risk ( $Crpt$ ), legal risks ( $Law$ ). The greater is the value of the index; the lower is the level of risk in a given country. Data on the risks taken from the database «International Country Risk Guide»



To facilitate interpretation and avoid the problem of endogeneity in the regression equation all variables except  $RISK_{it}$ , expressed in terms of logarithms. We should also consider the fact that investments from abroad may also affect the political risks the host country. But the share of Chinese investment in African countries is relatively small compared to the total investment coming into Africa. In addition, China follows the principle of «non-interference in internal affairs» in its investment policy. Therefore we can assume that Chinese FDI does not affect political risk of African countries.

For the analysis we use the panel data regression with random effects according to the Tobit-method. Our results of panel data regression are presented in Table 1. It covers 31 African countries over the period from 1991 to 2010 and represents only significant regression results of reduced order.

Table 1

**The empirical determinants of China's FDI to Africa. Tobit Analysis, 1991–2010**

	Tobit-analysis on the specification 1	Tobit-analysis with dummy variables
GDP (-1)	0.183 *	0.1300
	(0.10)	(0.10)
Exch (-1)	0.377 ***	0.386 ***
	(0.15)	(0.14)
Proj (-1)	0.016 ***	0.013 **
	(0.01)	(0.01)
Econ	0.263 ***	0.246 ***
	(0.07)	(0.07)
Crpt	-0,258 ***	-0,214 ***
	(0.06)	(0.06)
GG * Oil		1.123 ***
		(0.33)
Constant	-5,250 **	- 4,174 **
	(2.12)	(2.12)
Pseudo R-squares	0.05	0.06
LR Test	27.64	29.77
Obs	462	462

All non-significant variables (p-value > 20%) are omitted, except for two-factor interactions. In parentheses there are the robust standard errors. «\*\*\*», «\*\*» and «\*» denote significance at 1%, 5% and 10% respectively. Pseudo R-squares – this is corrected McFadden R-squared.

Estimated coefficients are fully consistent with previous assumptions, with the exception of index corruption risk.

Among the three market factors only indicator of market size *GDP* is significant and positive. Indeed, according to an analysis conducted in 2005 by Foreign Investment Advisory Services (FIAS) and the Multilateral Investment Guarantees Agency (MIGA), the Chinese companies primarily pay attention to the industrial sector (45% of firms) as a potential target their investments in African countries. Due to relatively high tariffs in Africa (UNCTAD, 2007), FDI can help Chinese enterprises to avoid trade barriers and gain a foothold in the African market. It is clear that this market size in this case will be the key factor for making investment decisions. Other market factors income (*RVVPrs*) and potential growth market (*RZVVP*) is not sufficient determinants that would encourage Chinese FDI in African countries.

It turned out that Chinese entrepreneurs prefer investment in the African countries with cheap currency. This could be the situation in the 1990s when China experienced some difficulties with the stock of foreign currency and thus had to make investments in order to achieve equalization of revenue by changing exchange rates. However, since the mid-2000s a permanent trade surplus and an increase in foreign exchange reserves have led to the fact that the exchange rate for foreign investment decreased. If we analyze separately the period 2005-2010, it turns out that the rate of exchange rates is no longer a significant factor in making FDI in African countries.

Also, our analysis showed that another important and significant factor that significantly affects the Chinese FDI to Africa is the number of contracted projects (*Proj*). It seems likely that contracted projects are the additional channel of interaction with African countries China; they can help to increase FDI as follows:

- 1) a host country with more of China's contracted project implies a closer economic and political ties to China
- 2) the existing contracted project activities provide first-hand, detail, and unbiased information about the investment environment in an African country;
- 3) many contracted projects prepares for later large amount of direct investment.

It is generally accepted that one of the most significant obstacles to investment in African countries is a political risk. Three studies – Review of global business environment (1999/2000), World Development Report (1996/1997) and UNCTAD report on world investment (1999/2000) – found that corruption – is the main limiting factor for investment in African countries to Sub-Saharan Africa. Other political risks such as political instability, insecurity, weak regulatory framework, are also included in the list of core investment restrictions. As a result, except for a few countries rich in natural resources (such as Angola, Nigeria, South Africa), other African countries, even those characterized by relatively low

political risk, attract little FDI. Some studies argue that the improvement of the business environment, the reducing of corruption and the increasing of political stability lead to a significant increase in FDI flows to Africa.

According to the report of the Foreign Investment Advisory Services (FIAS) and the Multilateral Investment Guarantees Agency (MIGA), 94% of Chinese firms called Africa's most politically risky region. It should be noted that in the same report 60% of Chinese companies that have already invested in African countries, assess their political environment as «normal.» Thus, we can conclude that Chinese investors are influenced by political risk not so much as investors from other countries. Indeed, our analysis shows that among the 6 dimensions of political risk only two have significant impact on FDI flows from China to Africa. The first of these is the risk of economic conditions (*Econ*); while improving the business environment, number of Chinese FDI grows. The second important factor is the level of corruption. Interestingly, the growth of corruption in African countries leads to the increase of Chinese FDI. Other political risks affect Chinese FDI to African countries in a minor way.

The impact of the economic conditions indicator is quite predictable and obvious, but the result on the impact of corruption (*Crpt*) for Chinese investment requires additional explanation.

According to economic theory, corruption acts as an additional tax on FDI, increasing the cost of their implementation, thus holding them back. A number of empirical studies (Buckley et al., 2007; Cheng, and Ma, 2009) confirmed this thesis. However, among scholars there is no consensus on the impact of corruption on FDI. For example, some studies show that the impact of corruption is low (e.g. (Abed and Davoodi, 2000)), whereas others (Shang-Jin Wei, 2000) found that corruption may even have a positive impact on the inflow of investment and economic growth, where economic regulation is too strict.

Therefore, a possible explanation of our results may lie in the investment of the situation specifically in Africa. The share of China's total investment in African countries (especially in those who have oil reserves) is negligible; Europe and North America have long captured the leadership positions. Chinese investors in Africa appeared much later, the volume of their activity is relatively low. On the other hand, many developed countries illegalize the bribery activity in overseas markets, so that firms from these countries can not effectively operate in a corrupt environment. To avoid direct competition with Western countries, Chinese investors prefer countries with high levels of corruption (e.g. Sudan), where are no powerful players from Europe or America. Thus, more corrupt African countries receive more Chinese investment.

Overall, we have identified several factors that determine Chinese FDI to Africa. However, we found no significant effect of natural resources on the African volume of FDI from China. Two variables that indicated the resources – *Engy* and *Minl* – are not significant. But it should be emphasized that in his study, we could

not take into account several important factors that are associated with China's policy in Africa. In particular, we are talking about the politics of «going global» in China, which started since 2002 and is aimed at finding new sources of resources and increase the competitiveness of China on the world stage. Investments have been identified as a key aspect of China's globalization program, with the main attention was paid to it finding new mineral deposits. For example, since 2006, 40% of China's FDI in Africa directed to the mining sector. To show the impact of globalization, China's policy in our model, we extend equation (1) by adding two dummy variables (*GG* and *Oil*) and some two-factor interaction variables ( $GG * Oil$ ,  $GG * Engy (-1)$ ,  $GG * Minl (-1)$ ,  $Oil * Engy (-1)$ , and  $GG * Oil * Engy (-1)$ ).

*GG* is a time dummy variable that reflects the «going global» politics: if  $t \geq 2002$ , it is one, otherwise it is zero. *Oil* is a dummy variable to isolate African oil producing countries that can display the Chinese investors' priority for countries with the oil industry.

Two-factor interactions  $GG * Oil$ ,  $GG * Engy (-1)$ ,  $GG * Minl (-1)$ ,  $Oil * Engy (-1)$  and  $GG * Oil * Engy (-1)$  are introduced to reflect the possible side effects of globalization policies on investment in the mining industry. Results according to the specifications presented in column 3 of Table 1. Added dummy variables proved to be insignificant, except for variable interaction  $GG * Oil$ , whose coefficient is positive and significant. This shows that the policy of globalization makes Chinese FDI in the oil sector in Africa. Interestingly, the rates of production of energy *Engy* and mineral resources *Minl* showed no significant impact on Chinese FDI in African countries, even after the introduction of additional dummy variables to account for China's policy of globalization. These dummy variables are not affected by the results of other indicators, with the exception of GDP, whose importance has somewhat decreased.

## Conclusions

We analyzed the empirical determinants of FDI of China in Africa. These determinants include classical economic factors, some factors specific to China-Africa relations and factors of Chinese government policies that affect FDI in China. In the present study, we used an official Chinese government data and statistics, prepared according to standard OECD-IMF

Some of the classic economic factors confirmed the importance for China's FDI in Africa. In particular, China prefers to invest in a country with a large market size and good growth potential, with relatively cheap local currency and with better economic conditions. According to the strategy of resources seeking Chinese FDI is affected by the availability of minerals in the country.

FDI of China reacts negatively to increased political risk – this result is consistent with economic theory and common sense. However, our research suggests that the growth of corruption in the country has a positive effect on the inflow of investments from China. A more detailed analysis is needed for a clearer understanding of the relationship between corruption and investment in the case of China and Africa.

Although China's economy is gradually transformed from a planned to a market, the role of the government is still very high. Scope of FDI is no exception. A typical example is the Chinese policy of going global, which led to increased investment in Africa

It is necessary to make some comments on the statistical data used in the analysis. Two sets of data are collected according to the different methods; it is not surprising that the results of the analysis are somewhat different. However, the results did not demonstrate significant differences and are fairly comparable and comparable.

Economic cooperation between China and Africa has received impetus to the development in 2000, after the first forum of cooperation of China and Africa. Chinese export industry must seek new markets besides developed countries. At the same time, China needs resources to sustain its economic growth. Africa, in turn, is the possibility of entering new markets, and getting access to mineral resources. Cooperation between Africa and China is quite consistent with the theory of comparative advantage. Our study reveals some of the factors that determine the direction and amount of investment from China to Africa. Further studies are needed to expand our understanding of these relationships and other forms of economic cooperation between China and African countries.

### **Bibliography**

1. UNCTAD. Asian Foreign Direct Investment in Africa: Towards a New Era of Cooperation among Developing Countries/ United Nations – New York and Geneva, 2007. –212 p.
2. World Investment Report 2011: Non-Equity Modes of International Production and Development – UN, Switzerland, 2011. – 251 p.
3. D. H. Rosen, T.Hanemann. China's Changing Outbound Foreign Direct Investment Profile: Drivers and Policy Implications// Policy Briefs # PB09-14 – Peterson Institute for International Economics – 2009.
4. 2011 Statistical Bulletin of China's Foreign Foreign Direct Investment – China, 2011 – 108 p. – Available from <http://hzs.mofcom.gov.cn/accessory/201109/1316069658609.pdf>.

5. H. Besada, Y. Wang and J. Whalley China's Growing Economic Activity in Africa// NBER Working Paper No. 14024 – National Bureau of Economic Research, Cambridge, MA, – 2008.
6. H. G. Broadman, G. Isik Africa's Silk Road: China and India's New Economic Frontier – World Bank Publications, 2007 – 391p.
7. Y.-W. Cheung, X.Qian. Empirics of China's Foreign Direct Investment// Pacific Economic Review #14, T.3 – 2009 – pp. 312–341.
8. N. M. Kinggundu. A Profile of China's Foreign Foreign Direct Investment to Africa// Proceedings of The American Society of Business and Behavioral Sciences – Vol. 15, 2007 – pp. 1–43
9. P. J. Buckley, J. Clegg, A. Cross, X. Liu, H. Voss, P. The Determinants of Chinese Foreign Foreign Direct Investment// Journal of International Business Studies -# 38, 2007 – pp. 499–518
10. L.K. Cheng, and Z. Ma. China's Foreign FDI: Past and Future – Hong Kong University of Science and Technology – 2009.
11. G. T. Abed and H. R. Davo FDI. Corruption, Structural Reforms and Economic Performance in the Transition Economies//IMF Working Paper No. 132. Washington: International Monetary Fund, 2000.
12. Shang-Jin Wei. How Taxing Is Corruption on International Investors// Review of Economics and Statistics #82, – 2000 – pp. 1–11.
13. D. Wheeler, A. Mody. International Investment Location Decisions: The Case of U.S. Firms//Journal of International Economics, # 33 – 1990 – pp. 57–76.
14. M. Swaleheen, D. Stansel. Economic Freedom, Corruption, and Economic Growth// Cato Journal, # 27, Vol.3 – 2007, – pp. 343–358.

The article was received on August 9, 2013.