The Unexamined Effects of China's Belt and Road FDI for Recipient Countries

Yue Shan, North Carlina State University, yshan4@ncsu.du
Kathryn Boys, North Carolina State University, kaboys@ncsu.edu

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Abstract

Since 2013, China has launched BRI cooperation projects in many countries in various sectors, such as infrastructure, energy, IT, and communications. During the last decade, China's OFDI as a percentage of worldwide OFDI has increased spectacularly since the BRI was proposed, from less than 5% in 2010 to nearly 20% in 2020. Previous studies analyzed the impact of BRI and other factors on China's FDI (M&A) and concluded BRI is a main driver of increased China OFDI in recent years. However, no studies have comprehensively explored the impact of China's OFDI (M&A) on the decision of other countries to invest FDI (M&A) in BRI beneficiaries. Thus, the research questions of this paper are to analyze the extent to which China's OFDI (M&A) has affected the willingness of FDI donors to invest in the BRI recipient countries and to identify and examine country characteristics and other factors that may attract and deter FDI (M&A) donors. Using a panel dataset between 2003 and 2020, this paper applies panel data regression models to address the questions. Our main findings are that China's FDI and M&A had a significantly positive impact on obtaining more non-China's FDI and M&A for recipient countries in general, especially in the non-BRI countries subgroup. However, the result is not significant in the BRI countries subgroup. BRI has a positive impact on attracting more non-China's FDI for recipient countries. However, for non-China's M&A, BRI has no significant impact.

Section 1: Introduction

Chinese President Xi in September 2013 initially proposed the Silk Road Economic Belt. It originally planned to create a new economic corridor that connects Southeast Asia, Northeast Asia, landlocked Asia and Europe regions, and European countries through cross-border infrastructure investment. Then, in October 2013, President Xi proposed the 21st-Century Maritime Silk Road while visiting Indonesia (Wu & Zhang, 2013). It is an oceangoing version of the initial proposal through which China announced plans to invest in infrastructure projects of countries along the ancient Maritime Silk Road to develop and improve economic connections along the west Asia Sea, Indian Ocean, East Africa, Red Sea, and the Mediterranean.

Today the Belt and Road Initiative (BRI) includes the land-based 'Silk Road Economic Belt' and the oceangoing '21st-Century Maritime Silk Road'. In the two years following the introduction of the BRI, more than 20 countries signed a Memorandum of Understanding (MOU) with the Chinese government to join the BRI. Since 2015, BRI has gradually become the most crucial part of China's foreign and international economic policies (Magnus, 2015). As of March 2022, China has signed more than 200 cooperation documents with 149 countries and 32 international organizations relating to BRI.

1.1: BRI and economic growth/ development

In the background of world economic integration, foreign direct investment (FDI) and merged and acquisitions (M&A) play an important role in promoting the economic development and trade development of countries and regions, so China's outward FDI (OFDI) and M&A are becoming new driving forces for economic and trade development. Since 2013, China has launched BRI cooperation projects in many countries in different sectors such as transport, energy, mining, IT and communications, industrial park, tourism, urban development. Through these gradually increasing BRI cooperation projects, large amounts of China's outward FDI (M&A amount) flow to these BRI recipient countries. In addition, China has also set up particular financial institutions for foreign investment including serving BRI projects, such as the Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund. Previous literature confirmed that the BRI is has recently been the main driver of China's outward FDI (M&A) (Du & Zhang, 2018; Zhai, 2018; Zhang et al., 2018; Chen et al., 2019; Rehman & Ding, 2020; Zhang et al., 2022). During the last decade, China's OFDI as a percentage of worldwide OFDI has increased spectacularly since the BRI was proposed, from less than 5% in 2010 to nearly 20% in 2020 (Appendix. B). Notably, between 2017 and 2020 when world OFDI experienced a downward trend, China's OFDI remained comparatively stable.

1.2: Objectives and contribution of this study

FDI plays an important role in the economic and trade development of countries and regions. The very significant changes in the amount of China’s OFDI and the change in the primary recipients of this OFDI due to the BRI, are likely to have substantial impacts on both the economies and opportunities in the recipient countries, as well as other FDI donor countries. To date, few studies have examined this issue. In particular, few studies have examined the extent and manner that China's OFDI (M&A) may have impacted the total FDI (FDI from China and other countries) and total M&A flows into BRI recipient countries.

Findings of two recent studies reveal possible, and contradictory, OFDI outcomes for BRI recipients. Soussane & Mansouri (2022) discovered that China's OFDI had attracted Moroccan

OFDI to African countries due to a signal from China that these countries are suitable for investment. This author found that joining the BRI has led these countries to commit to improving the quality of institutions, property protection, and contract enforcement. However, Fotak et al. (2022) concluded while receiving more imports, exports, and M&A flows from China, BRI countries decrease their economic dealings with third-party countries (non-BRI and China), and prefer to trade with countries that are politically aligned with China.

To our knowledge, no studies have comprehensively explored the impact of China's OFDI (M&A) on the decision of other countries to invest FDI (M&A) in BRI beneficiaries. Given the dominant role of China as an FDI (M&A) source to many countries, and as this funding comes with many conditions which are not typical of FDI (i.e. requiring the use of Chinese-owned contractors for construction projects), the impact of this investment on the willingness of other countries to invest in the BRI countries is an important and open question. It is possible that inclusion in the BRI may attract additional funding to BRI countries from investors who see this Chinese investment as a positive market signal and/or wish to build upon this initial Chinese investment. Alternatively, the very significant flows of FDI (M&A) from China may crowd-out other FDI (M&A) investments. Conversely, increased inward China's FDI (M&A) release a signal of close to China may cause some other nations to decline to invest in BRI recipients for a variety of political, contract design, and other reasons.

The objectives of the study are to: (1) analyze the extent to which China's OFDI (M&A) has affected the willingness of FDI donors to invest in the BRI recipient countries. Aside from China's investment (or not) in an economy, previous research has identified a variety of other factors, such as characteristics of their economy, their size and natural resource base, are correlated with country in- and out-bound FDI flows. As such, this study will also: (2) identify and examine country characteristics and other factors may attract and deter FDI (M&A) donors to invest in BRI countries and; (3) if and how these factors differ between BRI and non-BRI countries.

Here are some key findings of this study. China's FDI and M&A significantly positive impact on obtain more non-China's FDI and M&A for recipient countries in general, especially in non-BRI countries subgroup. However, it is not significant in BRI countries subgroup. BRI has positive impact on attracting more non-China's FDI for recipient countries. However, for non-China's M&A, BRI has no significant impact. Other characteristics such as GDP, trade openness, a regional trade agreement with China, and communication infrastructure also significantly positively affect non-China's FDI and non-China's M&A inflow to recipient countries in different levels for various country groups. Corruption level has a negative impact on non-China's FDI for BRI countries and non-China's M&A inflow to recipient countries in different levels for various country groups. BRI countries that are more aligned with China, can obtain more FDI from non-China's investors. Surprisingly, BRI countries who are members of WTO are at a disadvantage in attracting FDI and M&A from other countries.

This study is the first to offer a broad, cross-sectional analysis of the impact of China's OFDI on the FDI flows recipient countries. Paper uses China's OFDI as a key factor to analyze how the BRI directly or indirectly impacts on attracting or deterring non-China's FDI to the BRI

and non-BRI countries. This analysis considers 104 developing and least developed BRI recipient countries. Findings of this study offer a novel consideration of some externalities of FDI investment and will provide an important basis for future research on this issue.

The rest of this paper is organized as follows. Section 2 provides a detailed introduction to the BRI, and Section 3 offers a review of the relevant literature. Section 4 describes the data and empirical models and dataset used in this analysis, and section 5 provides the empirical results and discussion. Section 6 presents the conclusion and limitations of this paper.

Section 2: Introduction to the Belt and Road Initiative (BRI)

The BRI is the abbreviation of 'Silk Road Economic Belt' and '21st-Century Maritime Silk Road', proposed by Chinese President Xi Jinping in September and October 2013, respectively, during his visits to Kazakhstan and Indonesia. After 2015 the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization, jointly released the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road", the BRI initiative became the most crucial component of China's foreign policy and international economic policy (Du, 2016 & Magnus, 2015). The BRI covers about 64% of the world's population and about 30% of the world's GDP (Huang, 2016).

The publicly stated primary purpose of developing BRI is to jointly improve the economies of China and the recipient countries through infrastructure investment, industrial investment, resource development, economic and trade cooperation, financial cooperation, cultural exchange, maritime cooperation, and other areas (Huang, 2016; Du, 2016; Du & Zhang, 2018). What though is the motivation for China to implement this policy? With its economic growth continuing to slow[1], China needs to find a novel approach to stimulate economic development. The BRI is an innovative attempt to promote China's development of new international partners, transfer China's excess production capacity (Du & Zhang, 2018) in steel, coal, and shipbuilding industries, and support the economic growth of BRI countries. Although China has experienced three decades of rapid economic development since its Reform and Opening Up[2], China still lacks influence over world economics. China wants to increase its impact on the world economy while developing the BRI and sharing China's successful experience in developing infrastructure with other developing and underdeveloped countries. Through infrastructure linkage, China will build trade and financial and cultural exchanges with its partner countries (The State Council of the People's Republic of China, 2013).

In its initial stage, the BRI is intended to create a corridor linking Asia and Europe to stimulate economic prosperity and regional cooperation in countries and along the route. In addition, the BRI connects land and sea routes to integrate the European and Asian economies. As shown in Figure 1, the Silk Road Economic Belt connects three main paths by land: (1) China - Central Asia and Russia - Europe (Baltic Sea); (2) China - Central and West Asia - Persian Gulf and Mediterranean Sea; (3) China - Southeast Asia, South Asia, and the Indian Ocean. The 21st

[1] China's GDP annual growth rate was 8.5% in 2000. It increased to a peak of 14.2% in 2006 and then decreased to 7.8% in 2013. Before the Covid pandemic, the growth rate was stable at around 7%, but dramatically dropped to 2.2% in 2020 and then recovered to 8% in 2021.

[2] previous critical economics policy was placed in 1978.

Century Maritime Silk Road has two key directions by sea: (1) Chinese coastal ports - South China Sea - Indian Ocean - Europe; (2) Chinese coastal ports - South China Sea - South Pacific. China has also established two domestic economic zones for the development of the BRI, centered on Xinjiang and Fujian.

[Figure 1 inserted here]

2.1: Current Status of the BRI

In recent years, the BRI has significantly expanded to include many countries in Africa, Oceania, and the Americas (Figure 2). As of March 2022, China has signed more than 200 cooperation documents with 149 countries and 32 international organizations on BRI (Liu, 2022). The upper portion of Figure 3 represents countries that joined BRI between 2013 and March 2022, and the bottom portion of Figure 3 shows the cumulative number of each year of countries had signed BRI MoU with China.

[Figure 2 inserted here]

[Figure 3 inserted here]

Among these recent additions, China has launched BRI cooperative projects with countries such as Peru, Italy, Kazakhstan and in several sectors, such as transport, energy, mining, IT and communications, tourism, and urban development. China's OFDI investment is commonly dedicated to infrastructure planning and development. China's funds have been used to build roads, railroads, ports, dams, oil pipelines, and communication facilities. Notable projects include the Yiwu–London railway line, Peshawar-Karachi Motorway, Israel's Haifa Port, and Grand Ethiopian Renaissance Dam. China has also established scientific and research networks with many countries through the BRI. As of 2021, China had established scientific and technological cooperation with 84 BRI recipient countries, supported 1,118 joint research projects, and initiated the construction of 53 joint laboratories focused on agriculture, new energy, health and other fields (Huang, 2022). China has also set up special financial institutions for BRI, such as the Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund. Through these gradually increasing cooperation projects in various sectors, large amounts of China's outward FDI flow to these BRI recipient countries.

2.2: The Future of the BRI

In the future, BRI will expand the scope of Chinese investment from traditional transportation infrastructure and energy sectors to high-tech, sustainable, and environmentally friendly sectors—for example, the 5G internet project, solar power plant, wind power station, etc (Bonner, 2022). Since 2019, Chinese investments through BRI, especially for non-China countries, were requested to comply with UN sustainability standards (Larsen, 2021) which means the projects starting 2019 and future projects will apply the appropriate standards for environmental and social management to ensure the sustainability of these investments. Moreover, the BRI projects will strive to facilitate international cooperation, diversify sources of funding, and accelerate returns to reduce investment risk. In response to the Covid-19 pandemic, China recognizes the lack and imbalance of medical resources faced by China and some BRI countries. Therefore, the Chinese government advocates the continued construction of the 'Health Silk Road' to provide more medical necessities to BRI countries and the rest of the world (Baruzzi, 2021). The BRI projects that have been delayed due to the epidemic and other factors, such as financial and political instability, will continue to be

completed in the future. China will continue to increase its investment through BRI. For instance, China plans to invest $1.3 trillion globally through BRI by 2027 (Bonner, 2022).

Section 3: Literature Reviews

Research on BRI, FDI, and M&A topics are distributed in broad and various fields such as international trade, international politics, macroeconomics, environment, etc. However, since this paper discusses the impact of China's OFDI (M&A) on other countries attracting non-China's FDI (M&A), we will pay more attention to the literature related to China's OFDI (China as acquirer country in M&A transactions) and countries' FDI inflows (recipient countries as target nations in M&A transactions). FDI comprises Merge and acquisitions (M&A) and greenfield investments. According to Du & Zhang (2018), in 2014 and 2015, there was a significant rise in BRI countries as international M&A targets for Chinese companies but not much change in greenfield investments. Moreover, because BRI is an infrastructure-led policy, BRI reception countries could obtain more FDI from China and other countries after achieving a better infrastructure level. Therefore, our literature review will also focus on M&A rather than greenfield in this study.

3.1: General impact of FDI and M&A from BRI

Some existing literature discussed how BRI affects the destinations and industrial sectors of China's OFDI for different types of firms. The geographic choices of China's OFDI are inconsistent with the traditional investment theory that prefers investing in more economically developed areas or sectors with a relatively short payback period. Razzaq et al. (2021) stated that, unlike other countries that prefer to invest in developed countries, China would make significant investments not only in developed countries but also in developing and least-developed countries because of the BRI. By studying the investment risks and natural resource potential of 63 BRI countries, Hussain et al. (2020) concluded that Chinese companies are suitable to invest in most BRI countries, such as Singapore, Malaysia, Nepal, Bhutan, Russia, Armenia, and the United Arab Emirates. Chen (2016) argued that although China's investment in Africa has increased rapidly over the past decade, it is disproportionate to China's overall OFDI and that African countries should seize the benefits from the BRI. Moreover, China's OFDI concentrated in some sectors such as infrastructure (Du & Zhang, 2018; Huang, 2016; Zhang et al., 2018; Rehman & Noman, 2020), energy and power (Du & Zhang, 2018 & Zhang et al., 2018), etc. In recent years, BRI and the rapid increase of China's OFDI have led some to worry about the negative impact of Chinese investment on recipient countries, such as increasing their debt. Gang & Kunrong (2020) believed China's investments are not causing problems for host countries. In addition, there was no evidence to support the theory of the "debt trap", and the subsample reveals that SOE is investing mainly in transportation and mainly through the M&A model.

Moreover, BRI also has varying degrees of impact on different types of firms. Chinese state-owned enterprises (SOEs) are continually invested in infrastructure sectors, and private firms are more interested in non-infrastructure projects (Du & Zhang, 2018). Zhao & Lee (2021) argued that BRI promotes OFDI by China's central SOEs but not by local SOEs. Lv et al. (2018) stated that BRI drives China's OFDI through two different firm types: independent firms and business group affiliates (with a more significant driving force). Jin et al. (2021) compared the changes in the motivation of SOEs and private-owned enterprises (PIEs) to invest abroad in two periods, three years before (2010-2013) called the pre-BRI period and three years after (2013-2015) the BRI was launched. They concluded that market-seeking was a key motivation for both types of firms in both periods, but during the pre-BRI period resource-seeking also was one of the motives of PIEs

investment in the Association of Southeast Asian Nations (ASEAN) and during the after-BRI period SOEs were motivated by resource-seeking strategy in ASEAN. By examining the impact of BRI on China's greenfield FDI in Indonesia, Malaysia, the Philippines, and Myanmar, Tritto & Camba (2022) found that BRI led to a surge in investment in sectors related to infrastructure and connectivity with stronger government cooperation, but that BRI led to limited growth in investment in small and privately owned firms in consumption-related industries. Kunrong & Gang (2018) studied the impact of formal and informal institutions on firms' investment behaviors. They found that informal institutional differences have a more intensive impact on firms' decision-making between M&A investment and greenfield investment. BRI shortened the formal institutional differences.

There is some literature (Du & Zhang, 2018; Zhai, 2018; Zhang et al., 2018; Chen et al., 2019; Rehman & Ding, 2020, Lv et al. 2018) believed that the BRI is the main driver of China's OFDI growing in recent years. Zhang et al. (2022) concluded that BRI stimulates the increasing probability and amount of M&A (China is the acquirer nation) transactions to target countries. Fan et al. (2016) discussed the performances and determinants of China's OFDI on BRI countries. They studied China's OFDI has shown an overall growth trend and there has been a consistently high level of integration of China's OFDI in countries such as Cambodia, Georgia, New Zealand, Germany, France, and Australia. Moreover, the performance of China's OFDI along the BRI countries is very low and uneven by comparing their estimated efficiency scores of China's OFDI, but the potential of China's OFDI flowing into those countries is high. Data from subsequent years also confirmed their conclusions. Kang et al. (2018) China's OFDI flow to BRI countries is 40% more than that to non-BRI countries analyzing data between 2010 and 2015. During the period 2013-2019, unlike the continuous downward trend of world OFDI, the amount of China's OFDI has been growing (Razzaq et al., 2021). Yan & Enderwick (2020) observed that China's OFDI has been increasing since 2003 and BRI countries have attracted a large share, especially in ASEAN countries. China's OFDI in Europe has increased significantly in the years following the implementation of the BRI (Ma et al., 2019). In 2015, it is the first time that China's OFDI ($145.7 billion) exceeded IFDI ($135.6 billion). In the future, with more countries joining BRI, more of China's FDI (M&A) will flow into those countries. For instance, Zhai (2018) predicted that China is expected to invest $1.4 trillion to $6 trillion in BRI projects. Overall, China's OFDI has been increasing since the BRI was proposed. Based on the above literature we believe that BRI had stimulated China's OFDI increase and would be an exogenous shock for the rest of the world.

In addition to BRI, there are other factors that influence China's OFDI. Fan et al. (2016) define the determinants of China's OFDI in the BRI countries. The larger size of the country, higher development level of countries, and better natural resources endowment attract China's OFDI, but more policy barriers and further geographic distances deter China's OFDI. Kamal et al. (2020) believed that, in countries that are not rich in oil resources, the better the quality of the institutions, the more attractive they are to China's OFDI. However, for countries rich in oil resources, the quality of the institutions has no impact on China's OFDI. Zu & Liu (2018) investigated whether the political environment and exchange rate affected China's OFDI to 65 BRI countries and concluded that the appreciation of the RMB is associated with more inflows of China's OFDI but the volatility of the exchange rate and the unstable political environment do not affect inflows of China's OFDI. Mohsin et al. (2021) investigated whether the political environment and exchange rate affected China's OFDI to 65 BRI countries and concluded that the appreciation of the RMB is associated with more inflows of China's OFDI but the volatility of the

exchange rate and the unstable political environment do not affect inflows of China's OFDI. Shahriar et al. (2019) examined the influencing factors of China's OFDI in BRI countries and concluded that GDP, per capita income, and distance are the key influencing factors. Li et al. (2019) stated that economic freedom, bilateral trade, GDP, and patents positively impact attracting China's OFDI, but institutional distance has a negative impact. Chen et al. (2020) indicated that the level of investment facilitation positively impacts attracting Chinese OFDI. Jung et al. (2020) found that Confucius Institutes and BRI both had a positive effect on Chinese acquisition return. De Beule & Zhang (2022) analyzed two factors of the host country that would attract more China's greenfield investments, especially for Chinese SOEs, by expressing positive perceptions of BRI and signing the official BRI Memorandum of Understanding with China, but the distance between institutions would undermine these effects.

3.2: General review of FDI: Encouraging FDI investment factors & Discouraging FDI investment factors

As this article is intended to evaluate the BRI and China's FDI as key factors that affect recipient countries. To avoid the endogenous problems, we need to understand other important factors that would attract (deter) FDI at the country level as well. Here are other important factors which also be a driving (obstacle) to obtaining more FDI (M&A activities) from the rest of the world. Some existing literature studied the determinants that encourage IFDI from different perspectives. Through study of the relationship between multinational enterprises and FDI, Robock & Simmonds, (1983) stated that the company considered local market conditions, market size, local policies, and local investment risks when investing overseas. Das (2020) concluded that he factors that determine FDI inflows change over time and vary across countries with different types of economies.

Market size represented by gross domestic product (GDP) or GDP per person (GDPP) is a key determinant to evaluate the ability and capability of absorbing foreign investment. Based on previous literature (Balassa, 1966 & Robock & Simmonds, 1983), countries with larger market sizes are associated with larger inward FDI and M&A activities. When studying OFDI from OECD countries to the least developed countries, it is found that countries with larger markets receive more FDI (Graham, 1991). Both Robock & Simmonds (1983) and Fan et al. (2016) mentioned that the size of the country is also important. A larger size of the country (or we can say larger economies of scale) would obtain more FDI and obtain more investment through M&A (Hyun & Kim, 2010; Kunrong & Gang, 2018; Li et al., 2018; Xie et al., 2017; Gang & Kunrong, 2020; Erel et al., 2012; Zhang et al., 2022).

Production costs are also an important factor for many companies in their choices of recipient countries for OFDI. For labor-intensive industries, the cheaper the labor provided by the recipient country, the more FDI will be attracted. Riedel (1975) proposed that the main factor for Taiwan to attract export-oriented FDI is cheap labor. When labor costs increase, recipient countries attract less FDI (Saunders, 1982; Schneider & Frey, 1985; Culem, 1988). However, For high-skilled labor, increasing wages do not undermine FDI inflows (Hale & Xu, 2016).

The policy is also an important determinant of OFDI attraction. Whether a host country supports foreign firms investing in the country or restricts foreign firms to invest in certain areas also significantly impacts the choice of target locations for some OFDI. Advanced government

policy can promote FDI investment (Hayakawa et al., 2014) Adequately environmental policy attracts inward FDI (Cai et al., 2016). Chen et al. (2019) indicated that the quality of institutions influenced by laws and regulations positively affects the facilitation of FDI inflows.

Infrastructure development is also a key factor that can encouraging FDI investment (Coughlin et al.1991; Cheng & Kwan 2000; Wheeler & Mody, 1992; Asiedu, 2002; Deichmann et al. 2003; Li & Park, 2006; Bellak et al., 2009). Fan et al. (2016) concluded that higher development levels of countries and better natural resources endowment attract more China's OFDI. Rehman et al. (2022) studied the factors affecting the facilitation of foreign direct investment by analyzing 66 BRI recipient countries from 2000 to 2019. They found that transport, telecommunications, finance, and energy infrastructure were the drivers for attracting more FDI inflow. For resource-seeking oriented FDI, better natural resources endowment encourages more IFDI for the recipient countries (Musabeh & Zouaoui, 2020; Asiedu, 2004; Yang et al., 2017; Poelhekke & van der Ploeg, 2013). He & Cao (2019) studied the complexity of the investment network among 50 BRI countries and found that the essential factors leading to this pattern of investment networks are economic development level, geographical distance, and bilateral trade. Therefore, policy barriers, disadvantaged local police and high levels of government corruption, geographical distance will be the discouraging factor of inward FDI and M&A. Fan et al. (2016) mentioned more policy barriers and further geographic distances deter China's OFDI. High political risk has negative effect on inward FDI (Agarwal, 1980 & Moosa, 2002).

Many other factors also impact inward FDI and M&A, such as macroeconomic factor-inflation (Abbott et al., 2012; Adebayo et al., 2020; Asiedu, 2002; Asiedu, 2006; Boateng et al., 2015; Hadi et al., 2018; Hailu, 2010; Mamytova & You, 2018; Musabeh & Zouaoui, 2020; Xie et al., 2017) and exchange rates (Hyun & Kim, 2010; Abbott et al., 2012; Boateng et al., 2015; Choi et al., 2016; Hadi et al., 2018; Mamytova & You, 2018; Poelhekke & van der Ploeg, 2013; Zouaoui, 2020; Xie et al., 2017) and free regional trade agreements (Fan et al., 2016& Hyun & Kim, 2010). If the host country's currency appreciates more against the currency of the source country than its competitors, FDI inflows to the host country will decrease. In contrast, FDI inflows to the rival country will increase (Xing & Wan, 2006). Li et al. (2018) stated that free regional trade agreements have positive relationship with bilateral M&A transaction of paired countries. WTO accession also is an encouraging factor of attracting FDI (Chien et al., 2012) and M&A(Gang & Kunrong, 2020; Kunrong & Gang, 2018; Zhang et al., 2022).

3.3: China BRI investment story in some specific countries and regions

From various perspectives, some existing literature has already studied the impact of aggregate and disaggregate China's OFDI as an essential factor on BRI hosting countries. There are some existing research topics on China's FDI and how China's FDI affects specific industries and countries. Because China's FDI flows to various sectors in different countries and regions, the impact on them is also diverse. Through BRI, China invested in infrastructure projects such as highways, railways, ports, bridges, dams, communication networks, etc. China also invested in many countries to build economic zones and industrial parks. For example, China invests in industrial parks in Ethiopia and Nigeria (Chen, 2018). Menhas et al. (2019) studied the China-Pakistan Economic Corridor investment by BRI. They declared that it could promote the development of socio-economic conditions in Pakistan and contribute to sustainable development. Hanemann et al. (2018) indicated that China's FDI invested more evenly among European sectors.

The industries that increased the most in investment were financial services, health and biotech, consumer products and services, and automotive in 2018. Some of China's FDI flows into the agricultural sector, and private companies play significant roles. Jiang et al. (2018) proposed that China's FDI brings not only agricultural technology, labor needs, and management experience but also issues such as food security and instability of farmers' livelihoods for the host country, such as some developing countries in Asia. Mogilevskii (2019) showed the projects of Chinese investments in Kyrgyzstan through BRI in the sectors of roads, energy, infrastructure, urban development, mining, and manufacturing, and the economic impact of these projects on the country and future developing trends. Sun et al. (2021) studied the effect of China's OFDI on the comparative advantage of the sector in 62 Belt and Road countries between 2003 and 2017. They concluded that China's OFDI has various levels of positive effect on the comparative advantage of those countries in natural resource-intensive industries and labor-intensive textile, garment, and footwear sectors. Meanwhile, China's OFDI hurts the comparative advantage of these countries in other labor-intensive sectors, capital- and technology-intensive sectors in general. Yao et al. (2020) found that China's agricultural OFDI generally has a direct or indirect positive impact on food security in Belt and Road countries, especially when the country is steadily attracting agricultural OFDI.

When discussing whether China's FDI in African countries benefits the host countries, economists find it difficult to offer a uniform conclusion. On the one hand, some economists regard China's FDI in the African region as detrimental to the region's development. For example, investments in infrastructure may bring more debt, leading to exchange rate instability and reducing other investment possibilities for local governments (Chen, 2018). Megbowon et al. (2019) found that China's FDI has no significant impact on promoting industrialization in sub-Saharan Africa. On the other hand, some literature concluded that China's FDI is helpful to Africa's economic development. Comparing all countries' FDI inflows to Africa, China's inflows to the region are small, accounting for only 3% of the overall in 2013 (Shen, 2015). Shen (2015) also stated that Chinese privative firms started investing in the manufacturing sector in Africa because of pressure on labor-intensive industries in China and suggested that the African government provide relative policy to take the benefits from Chinese firms' investment. Hu et al. (2021) established, by analyzing the data from 2006 to 2017, China's FDI has a significant positive impact on the technological progress of African countries. However, non-China's FDI has no significant impact. Chen (2018) believed that African countries should seize the opportunity to develop local employment and export capacity when China is shifting its industrial overcapacity. O'Trakoun (2018) believed that increased China Outward Investment could improve recipient countries' perceptions of China. BRI could improve business outlooks in the Asia-Pacific region and add to the advantages of existing regional economic and demographic advantages trends. Chen & Lin (2018) projected a 5% increase in FDI flows to BRI countries, particularly sub-Saharan Africa, East Asia, and the Pacific, which would benefit more. Liu & Aqsa (2020) found that Chinese companies invest in BRI countries with higher productivity than non- BRI countries. While both private and SOEs negatively impact local productivity and profitability, SOEs perform worse. China's FDI performs better in developing countries such as the Middle East and South Africa, East Asia, the Pacific, Latin America, and the Caribbean than developed countries.

Section 4: Methodology and Data

4.1 Methodology

Using a panel dataset between 2003 and 2020, and covering 184 countries and regions, this paper applies panel data regression models to estimate the determinants of inward FDI and M&A of all "non-China" countries. Previous literature (Das (2020), Hadi et al. (2018), Abbas & Mosallamy, (2016)) employed this model to analyze determinants of FDI and M&A. Other than previous literature, this paper studies about China's FDI (M&A) effect on other non-China's countries. Thus, this paper only utilized country level "non-China" inward FDI and "non-China" M&A transactions on dependent variables.

4.1.1 Panel Data Regression model:

$$\begin{aligned}\text{NonChinaFDI}_{it} = {} & \beta_0 + \beta_1\ \text{China's OFDI}_{it} + \beta_2\text{BRI}_{it} + \beta_3\ \text{GDP}_{\text{it}} + \beta_4\text{NR}_{it} + \\ & \beta_5\text{Communication Infrastruction}_{it} + \beta_6\text{Inflation}_{it} + \beta_7\text{Trade Openness}_{it} + \\ & \beta_8\text{Exchange Rate}_{it} + \beta_9\text{WTO}_{it} + \beta_{10}\text{RTA with China}_{it} + \\ & \beta_{11}\text{Country Risk Score(Corruption)}_{it} + \beta_{12}\text{Vote}_{it} + \epsilon_{it}\quad t = 2003,\ldots,2020 \text{ and } i = 1, \ldots,184 \quad (1)\end{aligned}$$

Where NonChinaFDI_{it} denotes inward FDI flows from all countries except China to country *i* at time *t*, is calculated as the difference between their total annual inflow and that obtained from China; China's OFDI_{it} represents China's outward FDI flow to country *i* at time *t*; BRI_{it} indicates the BRI dummy variable equal to 1 if the country *i* had an active BRI MOU in year *t*; Other independent variables were derived from previous literature examining FDI flows and include: GDP_{it} denotes real GDP of country *i* at time *t*, NR_{it} indicates a dummy variable equal to 1 if total natural resources rents (% of GDP) of country *i* at time *t* larger than 10%, $\text{Communication Infrastruction}_{it}$ denotes the fixed telephone lines per 100 people plus cellphone lines per 100 people of country *i* at time *t* , Inflation_{it} represent the inflation of country *i* at time *t*, $\text{Trade Openness}_{it}$ denotes the trade openness, calculated by sum of expert and import divided by population of country *i* at time *t*, $\text{Exchange Rate}_{it}$ indicates exchange rate of country *i* at time *t* against US dollars, $\text{Country Risk Score(Corruption)}_{it}$ represent country risk scores (corruption level) of country *i* at time *t* (higher scores means higher risk of investment or higher corruption level), $\text{RTA with China}_{it}$ denotes a dummy variable equal to 1 if country *i* at time *t* signed trade agreement membership with China (RTA with China), and WTO_{it} denotes a dummy variable equal to 1 if country *i* at time *t* is member of WTO, Vote_{it} denotes the average percentage of the same vote as China in United Nation General Assembly of country *i* at time *t*-2, *t*-1, and *t*, and ϵ_{it} is the error term.

Alternative model specifications explore the possibility of lagged policy effects and lagged influence of China's FDI on attracting non-China's FDI. In addition, further analysis will further examine differences in results between BRI and non-BRI countries and will compare whether the effects of participating in the BRI and/or receiving China's FDI differ by the recipient country's development status.

Furthermore, this paper applied equation (2) to examine the determinants of "non-China" M&A transactions.

$$\text{NonChinaM\&A}_{it} = \beta_0 + \beta_1\ \text{China's M\&A}_{it} + \beta_2\text{BRI}_{it} + \beta_3\ \text{GDP}_{\text{it}} + \beta_4\text{NR}_{it} + \beta_5\text{Communication Infrastruction}_{it} + \beta_6\text{Inflation}_{it} + \beta_7\text{Trade Openness}_{it} + \beta_8\text{Exchange Rate}_{it} + \beta_9\text{WTO}_{it} + \beta_{10}\text{RTA with China}_{it} + \beta_{11}\text{Country Risk Score(Corruption)}_{it} + \beta_{12}\text{Vote}_{it} + \epsilon_{it}\ \ t = 2003,\ldots,2020 \text{ and } i = 1, \ldots,184 \quad (2)$$

Where $\text{NonChinaM\&A}_{it}$ denotes the M&A annual transaction amount of country *i* at time *t,* which is calculated as the sum on annual M&A transaction deals of the country as target nation from other countries as acquirer nation (except China); $\text{China's M\&A}_{it}$ represents the M&A annual transaction amount of country *i* at time *t,* which is calculated as the sum on annual M&A transaction deals of the country as target nation from China (acquirer nation). Other variables represent the same definition as equation (1).

4.1.2 Robustness check: Fixed effects model

We will utilize the traditional country and year fixed effect model to complete the robustness check by following previous literature, such as Mamytova & You (2018). They utilized a fixed effect model to investigate the facilitating and impeding factors of inward FDI for four Central Asian countries: Kyrgyzstan, Kazakhstan, Uzbekistan, and Tajikistan between 1990 and 2015.

Alternative model specifications explore the possibility of lagged policy effects and the influence of China's FDI (M&A) on attracting non-China's FDI (M&A). In addition, further analysis will examine differences in results between BRI and non-BRI FDI recipient countries, and will compare whether the effects of participating in the BRI and/or receiving China's FDI (M&A) differ by the recipient country's development status.

4.2: Data Description

4.2.1: FDI, BRI and M&A

From the United Nations Conference on Trade and Development (UNCTAD) database, we obtained the annual inward FDI flow and stock data between 2003 and 2020. China's outward FDI flow and stock data to all recipient countries was obtained from the Statistical Bulletin of China's Outward Foreign Direct Investment. The dependent variable- non-China's FDI flows, representing inward FDI flows from all countries except China, is calculated as the difference between their total annual inflow and that obtained from China. It covers 184 countries (regions) and China, representing about 99% of the world's GDP. We applied several steps to narrow down the countries from over 200 to 184. Firstly, we drop Hongkong because it has a more closed political relationship with mainland China than other regions and countries. Then we dropped Cayman Island and the British Virgin Islands because they are tax havens, and we believe they are not the FDI's final destination. Even though the amount of FDI inflow in these regions is considerable, they cannot represent the kind of investment we discuss in this paper. Then because noticing small island countries[3] and the Democratic People's Republic of Korea has many missing values, and they only account for a tiny portion (about 1%) of the world's total GDP, we drop all those countries.

[3] Small island countries included: Anguilla, Cook Islands, Curaçao, Guadeloupe, Eritrea, French Guiana, Marshall Islands, Montserrat, Martinique, Mayotte, New Caledonia, Palau, French Polynesia, Reunion, Saint Helena, Somalia, South Sudan, Turks and Caicos Islands.

Other than the critical independent variables-China's outward FDI flow to recipient countries, the BRI countries are also important independent variables in our study. A list of BRI countries and the years of their BRI Memorandum of Understanding (MoU), was constructed by Belt and Road portal and Nedopil (2022). The BRI dummy variable equals to 1 if the country had an active BRI MOU at and after that year, otherwise equal to 0. This data covers the period between 2013 to 2020, and till 2020 there are 131 that had signed MoU with China. BRI countries covered 27% of the world's total GDP in 2020. 74% of BRI countries belong to developing countries and at least developed countries. There is more detailed country list information in Appendix A.

Mergers and acquisitions (M&A) transactions amount, the third important pair of variables of this study, derived from the Thomson Financials Security Data Corporation (SDC). The dataset originally covered 854327 transaction deals between 2003 and 2020. Since this paper studies cross-border issues, we drop all domestic investment and remain 613240 observations. Then we drop the transactions with the withdrawn date, which accounts for 1.95% of total observations. Then, we drop the missing transaction value data. After those steps, 285258 observations remained, accounting for 33% of the original dataset. However, they covered over 95% of the whole transaction value of the total world M&A. The dependent variables are non-China's M&A representing inward cross-board M&A value for all target countries except China obtained by dropping China as the acquirer and target nation. Thus, the dependent variable is the annual cumulated amounts of M&A transactions for each recipient country. Then we applied similar procedures to calculate the independent variables inward China's M&A amount to recipient countries. We keep all transaction deals of China as acquirer nations, and countries except China as target nations. By cumulating the transaction data annually at the country level, China invested 6 countries in 2003 and 41 countries in 2018 which is the highest number between 2003 and 2020 (Appendix C). We assume that other than these countries, China invests zero via M&A in the rest countries.

4.2.2: Other Independent Variables

Other independent variables were derived from previous literature (see Table 1) examining the effect of the non-China's FDI (non-China's M&A). The time span of these variables is 2003 and 2020. Real gross domestic product (GDP), population (POP), total natural resources rents (% of GDP) (TNRR), inflation rate, communication infrastructure at the country level are derived from the World bank database. Communication infrastructure is calculated as fixed telephone lines per 100 people plus cellphone lines per 100 people. The natural resource is a dummy variable which equal to 1 if the TNRR is more than 10% of GDP. The country-level trade and exchange rate data are derived from the United Nations Conference on Trade and Development (UNCTAD). Trade openness is the ratio of export plus import to POP (Fujii, 2017). Country risk score of corruption data is derived from the S&P Global. The trade agreement with China and WTO membership at the country level are derived from the World Trade Organization (WTO). United Nations general assembly voting (Vote) data is derived from Voeten et al. (2009). It is calculated as an average number of three prior years of the same voting results as China in the United Nations divided total voting number. More detailed information on the definition and related literature can be found in Table 1.

[Table 1 inserted here]

During the data cleaning, we apply ISO-alpha3 country and region code and M49 code from the United Nations to pair and merge all datasets. Because it does not include the ISO-alpha3 code and the M49 code of Taiwan, we added the unique codes to it. We noticed there are still some missing values among these independent variables. To address this issue, we utilize other data sources to fix the missing value to make our panel data more balanced. The GDP and POP of Taiwan (2003-2019) and Venezuela, Bolivarian Republic (2015-2019) can be found in Penn World Table. Then we modify natural resource data, assuming natural resources endowment of countries would not be changed during this period. We replaced missing data for the country with previous or subsequent natural resource data.

4.2.3 Descriptive Statistics

The summary statistics of all countries, BRI countries, and non-BRI countries groups are shown in Table 2. For all countries group, the maximum non-China's FDI recipient country was the US in 2015, and the minimum recipient country was Switzerland in 2020. The UNCTAD calculated the FDI inward on a net basis which equals the capital transactions' credits subtracted debits between direct investors and their foreign affiliates or net incurrence of liabilities. Therefore, negative non-China's FDI represents the negative net incurrence of liabilities of this country from the world except China this year. The maximum annual amount of non-China's M&A recipient county is also the US. Comparing the mean of non-China's FDI inflow to BRI countries and non-BRI countries, non-BRI countries received five times more investment than BRI countries. The difference between these two groups is larger in the non-China's M&A transaction amount. Non-BRI countries received nine times more than BRI countries. However, although there is more investment in non-BRI countries from China via both FDI and M&A, the gap between the two groups of countries is smaller than non-China's investment. China invests twice more FDI in non-BRI countries and 6.5 times more M&A in non-BRI countries. China invests more in portion than the rest of the world in BRI countries. The standard deviation of non-China's FDI, non-China's M&A, China's FDI, and China's M&A of non-BRI countries is higher than non-BRI countries, representing the investment fluctuates wildly in non-BRI countries. According to the mean of the two subgroups of countries of other variables, in general, non-BRI countries have larger market size, less natural resource endowment, less inflation rate, more WTO members, less enforced free trade agreement with China, smaller corruption of country risk score (refers to less corruption in government), lower exchange rate, smaller trade openness, less percentage of the same voting results as China (refers to less likelihood aligned with China), and better communication infrastructure development than BRI countries.

[Table 2 inserted here]

Section 5: Results and Discussion

5.1: Pearson Correlation Coefficient Results

Before obtaining the panel data regression results, we apply Pearson Correlation Coefficient to test the serial correlation of our independent variables. The results are shown in Appendix D. For all countries group (shown in panel A), most of our independent variables have a small correlation except GDP and China's FDI, GDP and China's M&A, trade openness and communication

infrastructure, and corruption and trade openness. The Pearson correlation coefficient of GDP and China's FDI, GDP and China's M&A, and trade openness and communication infrastructure are around 0.45, representing a moderate positive correlation. In addition, the Pearson correlation coefficient of corruption and trade openness is around -0.49, representing a moderate negative correlation. For the BRI countries subgroup (shown in panel B), most of our independent variables have a small correlation with each other except trade openness and communication infrastructure, corruption and trade openness. The Pearson correlation coefficient of trade openness and communication infrastructure is around 0.45, representing a moderate positive correlation. The Pearson correlation coefficient of corruption and trade openness is -0.4, representing a moderate negative correlation. For non-BRI countries subgroup (shown in panel C), most of our independent variables have a small correlation with each other except trade openness and communication infrastructure, communication infrastructure and corruption, and corruption and trade openness. The Pearson correlation coefficient of trade openness and communication infrastructure is 0.5, representing a strong positive correlation. Moreover, the Pearson correlation coefficient of communication infrastructure and corruption is around -0.45, representing a moderate negative correlation. The Pearson correlation coefficient of corruption and trade openness is over -0.6, representing a strong negative correlation.

5.2: Empirical Results

Tables 3 and 4 show the estimates of the impact of China's FDI (China's M&A) and BRI on non-China's FDI (non-China's M&A) based on country-level data sets. Column (1) represents the results that only include independent variables with a random effect for all countries, and Column (2) shows the results applying the country and time fixed effects on the baseline model. Columns (3) & (4) and Columns (5) &(6) represent the exact specifications as Columns (1)& (2) but for the BRI countries subgroup and non BRI countries subgroup, respectively.

Table 3 shows the positive and statistically significant impact of China's FDI on non-China's FDI in most models except for the BRI countries subgroup specification. When China invests 1 million USD more, they can attract around 4.9 million USD more non-China's FDI in general. Comparing the results of the BRI countries group and non-BRI countries group, China's FDI can significantly incentive more non-China's FDI flow into non-BRI countries. Then, for another critical independent variable- BRI- it is only positive and statistically significant in the specification for all countries with country and time fixed effect, which means BRI positively impacts attracting non-China's FDI in general. In the BRI countries subgroup, it is not significant, indicating that the signed MOU with China is an important positive factor in attracting non-China's FDI for all countries. However, the year of the MOU is not a significant impact. When the country signed BRI MOU with China, it would promote the country to obtain 3324 million USD more non-China's FDI for each country.

For all models, GDP has a positive impact on non-China's FDI, which means a larger economic scale can attract more non-China's FDI overall. Communication infrastructure also shows a positive and statistically significant impact on non-China's FDI in all country groups and non-BRI country groups, which can be interpreted as a better communication infrastructure level of the country that can attract more non-China's FDI. Country Risk Score of corruption shows a

negative and statistically significant impact on non-China in all BRI countries models. We can explain the results as the corruption level of government is especially important for BRI countries, once BRI countries with lower levels of corruption can attract more non-China's FDI. Moreover, a larger portion of non-BRI countries are developed countries with similar and more consistent levels of corruption, so the Country Risk Score of corruption shows no statistically significant impact on attracting non-China's FDI for non-BRI countries. RTA with China is positive and statistically significant only in the group of BRI countries, which means for BRI countries, if the country has a regional trade agreement with China, it encourages to obtain more non-China's FDI. In other cases, it is not strongly significant because the agreement has no provisions on FDI specifically. Natural resources are only negative and significant in the BRI countries subgroup with the random effect, which means the less natural resource endowment a BRI country has, the more it can attract non-China's FDI. However, after controlling the heterogeneity of country and time, natural resources do not impact non-China's FDI in the BRI countries subgroup. According to column (3) results, the vote is positively related with non-China's FDI in the BRI countries subgroup in the random effect model. It can be explained as when a country votes more similarly to China in the UN, it is more beneficial to non-China's FDI. However, WTO negatively related with non-China's FDI in the BRI countries subgroup in fixed effect specification, which means if the country is a WTO member, it has a negative impact on attracting more non-China's FDI. It may be explained by the country joining WTO and enforcing a lower import tax for commodities. Importing some products might be more expensive than domestic production, which might be an opportunity to attract some foreign FDI. After becoming a member of WTO, the domestic production opportunity was substituted by importing products. Thus, for BRI countries, joining the WTO negatively impacts attracting non-China's FDI. Trade openness has positively impacted non-China's FDI in all country groups and BRI countries subgroup.

[Table 3 inserted here]

Table 4 shows the China's M&A has a positive relationship with non-China's M&A in all countries group and non-BRI countries subgroup, which means if China invests more via M&A in other countries, it would help to attract more non China's M&A. BRI has no significant effect on M&A transactions.

GDP is a positively significant impact on non-China's M&A. when the county has a larger size of the economics, it has the better ability to obtain more M&A investment from other countries. Natural resources also negatively impact non-China's M&A in the BRI countries group. The result matched the previous assumption that the natural resources endowment of the country would only change slowly over several decades. WTO is negatively impacting on non-China's M&A for BRI countries. Trade Openness positively impacts obtaining more non-China's M&A for all countries group and BRI countries subgroup. A higher level of trade openness in the country can attract more non-China's M&A in general. Exchange Rate negatively impacts non-China's M&A on BRI countries subgroup with random effect model. It can be explained by the decrease of the currency exchange rate against USD can encourage more non-China's M&A of the BRI country. RTA with China has a positively impact on non-China's M&A on BRI countries subgroup with random effect model. The higher corruption level of the government hurts more non-China's M&A flow into the

country in general. Communication infrastructure level positively impacts non-China's M&A except in the BRI countries subgroup. The vote has no significant impact on non-China's M&A.

[Table 4 inserted here]

To answer our questions about whether there exists a lagged effect of China's FDI (M&A) on non-China's FDI (M&A), we applied five lagged China's FDI(M&A) as independent variables in the random effect model and time and country fixed effect model. Column (1) and column (2), in Table 5, show the lagged impact of China's FDI on non-China's FDI in random effect, and time and country fixed effect. It shows China's FDI in the current year and a year lag has a significantly positive impact on non-China's FDI, but the positive impact of China's FDI from two- and three-years lags disappear. Even more China's FDI from four- and five-years lags have negative impact on attracting more non-China FDI. According to column (2), BRI still has a significant positive impact on non-China's FDI in the fixed effect specification. However, according to columns (3) and (4), China's M&A in the current year has a significantly positive impact on non-China's M&A. In contrast, it shows China's M&A with one- and two-years lags have significantly negative impact on non-China's M&A. BRI has no significant impact on non-China's M&A in these specifications.

For the control variables, the results are similar to previous models. GDP still has a positive impact on both non-China's FDI and non-China's M&A. Trade openness has a significantly positive effect on non-China's FDI and non-China's M&A. Corruption level has negative impact on non-China's FDI and non-China's M&A. Communication infrastructure has a positive impact on non-China's FDI and non-China's M&A.

[Table 5 inserted here]

5.3: Discussion

We analyzed whether China's FDI (M&A) has attracted other countries that might be more willing to invest in the countries crossing 2003 and 2020. We find that China's FDI and China's M&A can incentive other countries' investments, especially when we analyzed the non-BRI countries subgroup, the effect is more significant. In the BRI countries subgroup, China's FDI and China's M&A has no significant impact on attracting other countries' investment. The reason might be that other countries are not interested in the same investment sector as China in BRI countries, or China's investment may have a long-run effect on BRI countries but cannot be noticed right now. At least it reflects that China's FDI and China's M&A are not deterring other countries' investment in BRI countries. Taken together, China's FDI and China's M&A release a positive signal for other countries that incentive more non-China's FDI and non-China's M&A flow into host countries.

We also find that BRI is a positive factor in attracting more other countries' FDI in recipient countries, which means joining BRI is a beneficial choice for a country that is willing to get more FDI and improve economic growth. However, we noticed that BRI has no significant impact on obtaining more other countries' investments via M&A for the recipient country. The reason might be: (1) 74% of BRI countries are developing countries and at least developed countries, which is not the ideal investment destination for many countries, so countries joining BRI is not a crucial condition for other countries making decisions of investment on recipient country via M&A; (2) time span is limited to analyze the long-run impact and many BRI projects are in infrastructure

sector which needs more time to help the recipient country improving their investment environment and prove it worth or not worth to other countries making more or less investment. BRI is not a significant factor in the BRI countries subgroup because all countries are signed BRI MOU with China and the only difference is time. In conclusion, BRI is not a negative factor for non-China's FDI and M&A flow into recipient countries.

We also find other characteristics which affect other countries' investment decisions. The larger scale of GDP, higher trade openness, having a regional trade agreement with China, and better communication infrastructure can encourage more non-China's FDI and non-China's M&A inflow to recipient countries which are matching previous studies. The worse corruption level of the country deters the non-China's FDI and non-China's M&A inflow to recipient countries which also matches previous studies. We notice that a higher average percentage of the same voting results in the UN as China's voting or we can say more alignment with China can help BRI countries obtain more non-China's FDI, but we don't find a significant impact on M&A. It is partially consistent with the findings of Fotak et al. (2022). They find that BRI increased bilateral M&A transactions between BRI countries and third-party countries (not including China and BRI countries) that are more aligned with China.

To our surprise, WTO has a negative impact on non-China's FDI and non-China's M&A inflow to BRI countries which is not matching the results from a previous study (Chien et al., 2012). It may be explained by the country joining WTO and enforcing a lower import tax for commodities. Importing some products might be more expensive than domestic producing which might be an opportunity to attract some foreign FDI. After becoming a member of WTO, the opportunity of domestic production was substituted by importing products. Thus, for BRI countries, joining WTO has a negative impact on attracting non-China's FDI. Another surprising part is the impact of lagged China's FDI and lagged China's M&A are not consistent. The difference might be caused by the different methodologies of calculating FDI and M&A.

Section 6: Conclusion

6.1: Conclusion

By analyzing the impact of China's FDI, China's M&A, and BRI on other countries' investment decision in recipient countries, this study established that China's FDI and China's M&A indeed has a positive effect on non-China's FDI and non-China's M&A inflow to recipient countries, especially for non-BRI countries. However, there is no such significant impact when we only test BRI countries. Joining BRI is a positive factor in attracting more non-China's FDI for all countries model but has no impact on non-China's M&A and other subgroups. GDP, trade openness, a regional trade agreement with China, and communication infrastructure has a positive impact on non-China's FDI and non-China's M&A inflow to recipient countries in different level of various country groups. Corruption level has a negative impact on non-China's FDI for BRI countries and non-China's M&A inflow to recipient countries in different levels of various country groups. BRI countries who are more aligned with China, can obtain more FDI from non-China investors. Surprisingly, BRI countries who are members of WTO are at a disadvantage in attracting FDI and M&A from other countries.

Those findings indicate the characteristics of countries are able to build up and increase their ability to access more FDI from other countries. The findings also help us to address the previous discussion about China's investments encouraging or deterring other countries' investment. China's investment as an exogenous indicator indeed diffuse positive signal and provide confidence to incentive other countries making more investment in recipient countries. Especially for BRI countries, there is no sign showing that China's investment crowds out other non-China countries' investment opportunities. In addition, being aligned with China has the benefit of BRI countries attracting more non-China's FDI. Thus, no evidence shows that increased inward China's FDI (M&A) or being aligned with China caused some other nations to decline to invest in BRI recipients for various political, contract design, and other reasons.

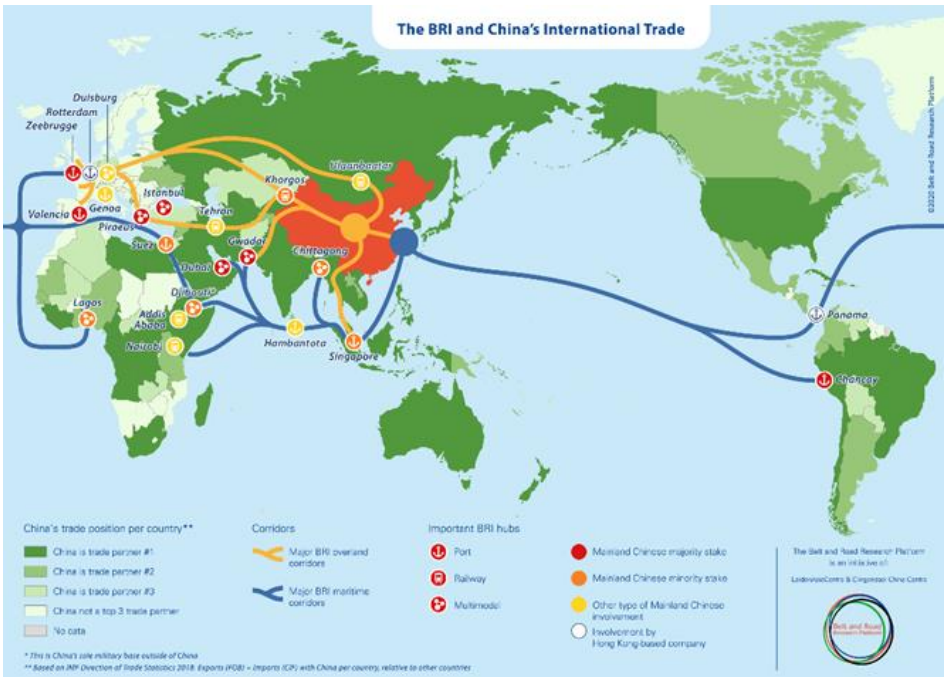
6.2: Limitations and Suggestions for Future Research

We applied aggregated FDI M&A to our analysis which limited our estimates of more detailed results showing which sectors are more influenced by China's FDI and M&A. Since BRI was launched in 2013, the time span is limited to analyze the long-run effect.

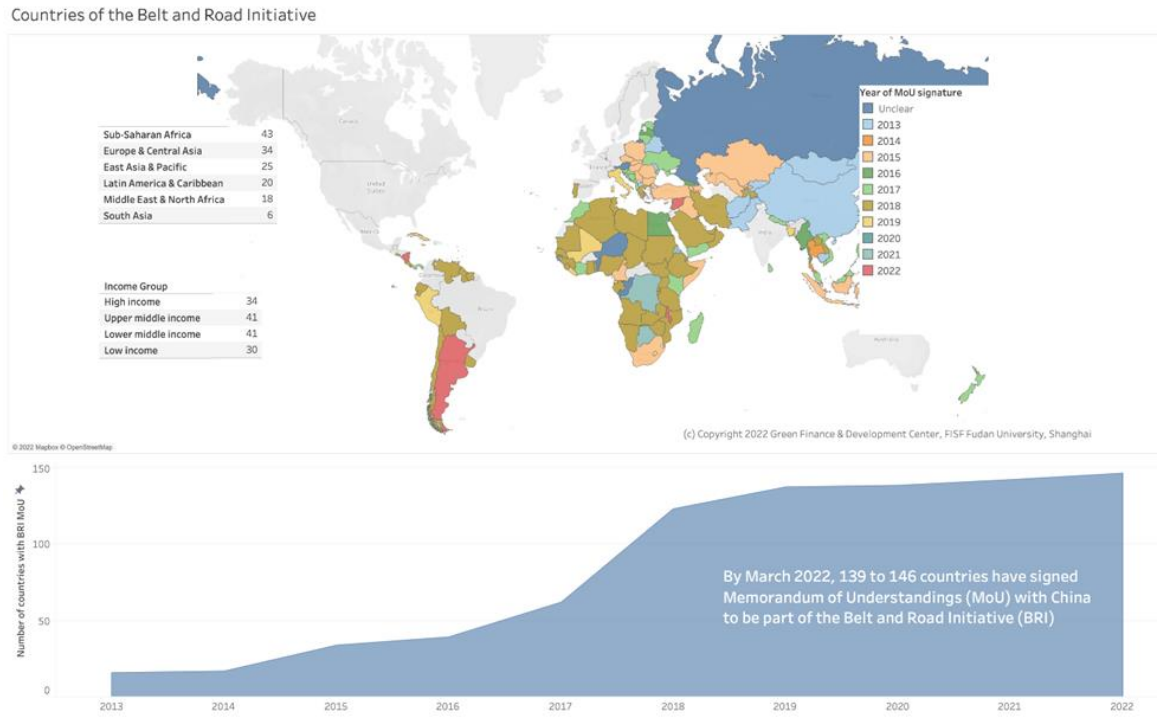
First of all, we can apply the same analysis to different developing statuses to check if the results have any differences. Secondly, in the future, we can expand our study time span, and see if there is anything changing after 5 or 10 years. Then there should be some long-run effect results at that time. Moreover, we can apply similar estimations to analyze greenfield investment and compare the results with our existing results.

(Source: "The Belt and Road Initiative". (n.d.))

Figure 1 The Silk Road Economic Belt and the 21st Century Maritime Silk Road, 2018



(Source: "The Belt and Road Initiative," n.d.)
Figure 2 The Belt and Road Initiative Routes, 2020



(Source: Nedopil, C. (2022))
Figure 3 Geographical development of BRI countries, 2013-2022

Table 1 Definitions and Data Sources of The FDI, M&A and Other Key Variables

Variable	Short name	Definition	Data Source	Related Literature
Dependent Variable				
Non-China's Inward FDI Flow	Non-China's FDI	Individual country's annual total inward FDI flow from the world excluding China	UNCTAD; Statistical Bulletin of China's Outward Foreign Direct Investment	[FDI]: Fan et al. (2016), Dunning (2002), Marino (2000), Adebayo et al. (2020); Hailu (2010), Kang et al. (2018), Abbas and Mosallamy (2016), Mamytova & You (2018), Globerman & Shapiro (2004)
Non-China's M&A Amount	Non-China's M&A	Individual country's annual total M&A transaction amount from the world excluding China	Thomson Financials Security Data Corporation (SDC)	[M&A]: Globerman & Shapiro (2004), Zhang et al. (2022), Li et al. (2018), Kandilov et al. (2017), Fotak et al. (2022)
Independent Variable				
China's FDI Outward Flow	China's FDI	China's annual outward FDI flow to the individual country	Statistical Bulletin of China's Outward Foreign Direct Investment between 2004 to 2020	[FDI]: Chang et al. (2021); Qian et al. (2022), Shahriar et al. (2019), Li et al. (2019),
China's M&A Amount	China's M&A	China's annual M&A transaction amount to the individual country	Thomson Financials Security Data Corporation (SDC)	[M&A]: Globerman & Shapiro (2004), Zhang et al. (2022), Li et al. (2018), Kandilov et al. (2017), Fotak et al. (2022)
Belt and Road Initiative	BRI	Dummy variable and equal 1 if the country joined BRI in and after that year	Belt and Road portal (https:// www.yidaiyilu.gov.cn/) and Nedopil (2022)	[FDI]: Qian et al. (2022), Lv et al. (2018), [M&A]: Jung et al. (2020), Zhang et al. (2022), Gang & Kunrong (2020),
Gross Domestic Product	GDP	Real gross domestic product of current USD	World Development Indicator of World Bank	[FDI]: Adebayo et al. (2020), Asiedu (2002), Asiedu (2006), Bellak et al. (2009), Boateng et al.

				(2015), Choi et al. (2016), Fan et al. (2016), Musabeh & Zouaoui (2020), [M&A]:Kunrong & Gang (2018), Li et al. (2018), Xie et al. (2017), Gang & Kunrong (2020), Erel et al. (2012), Xie et al. (2017), Li et al. (2018), Zhang et al. (2022), Fotak et al. (2022)
Communication Infrastructure	INF	Fixed telephone lines (per 100 people) + cellphone lines (per 100 people)	World Development Indicator of World Bank	[FDI]: Bellak et al. (2009), Asiedu (2002), Kang et al. (2018), Mamytova & You (2018), Das (2020), Asiedu (2006), Hailu (2010), Abbott et al. (2012), [M&A]: Jung et al. (2020), Xie et al. (2017)
Natural Resources	NR	Dummy variables and equal 1 if Total natural resources rents (% of GDP) are more than 10%. Total natural resources rents (% of GDP) are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents.	World Development Indicator of World Bank	[FDI]: Fan et al. (2016), Abbott et al. (2012), Kang et al. (2018), Mamytova & You (2018), Musabeh & Zouaoui (2020), Poelhekke & van der Ploeg (2013), [M&A]: Gang & Kunrong (2020), Jung et al. (2020)
Inflation, consumer prices (annual %)	IR	Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly.	World Development Indicator of World Bank	[FDI]: Abbott et al. (2012), Adebayo et al. (2020), Asiedu (2002), Asiedu (2006), Boateng et al. (2015), Hadi et al. (2018), Hailu (2010), Mamytova & You (2018), Musabeh & Zouaoui (2020), [M&A]: Xie et al. (2017)
Membership in the World Trade Organization	WTO	Dummy variable and equal 1 if the country joined WTO in and after that year	World Trade Organization	[FDI]: Shahriar et al. (2019), [M&A]: Gang & Kunrong (2020),

				Kunrong & Gang (2018), Zhang et al. (2022),
Trade Openness	TO	(Import + Export)/Population	UNCTAD and World Development Indicator of World Bank	[FDI]: Abbott et al. (2012), Adebayo et al. (2020), Asiedu (2002), Boateng et al. (2015), Das (2020), Hadi et al. (2018), Hailu (2010), Musabeh & Zouaoui (2020), [M&A]: Jung et al. (2020), Li et al. (2018), Xie et al. (2017),
Exchange Rate	ER	Each country's currency exchange rate against the U.S. dollar	UNCTAD	[FDI]: Abbott et al. (2012), Boateng et al. (2015), Choi et al. (2016), Hadi et al. (2018), Mamytova & You (2018), Poelhekke & van der Ploeg (2013), Zouaoui,(2020), [M&A]: Xie et al. (2017)
Region Trade Agreement with China	RTA with China	Dummy variable and equal 1 if the country and China have RTA in force in and after that year	World Trade Organization	[FDI]: Fan et al. (2016), [M&A]: Li et al. (2018), Zhang et al. (2022),
Country Risk Score of Corruption	CRS Corruption	Measures the corruption level of the government of the country or region.	S&P Global	[FDI]: Fan et al. (2016), Li et al. (2019),
Vote	Vote	Measure the likelihood of the county aligned with China, and calculated as the average number of three prior years of the same voting results as China in the United Nations divided total voting number.	Voeten et al. (2009)	[M&A]: Fotak et al. (2022)

Table 2 Descriptive Statistics

Variables	All Countries					BRI Countries					Non-BRI Countries				
	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max	N	Mean	SD	Min	Max
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Non-China's FDI	3,312	6,368	23,620	-163,778	459,596	2,358	2,946	7,820	-29,684	101,568	954	14,825	41,068	-163,778	459,596
Non-China's M&A	2,454	11,920	35,669	0.0150	439,847	1,777	3,615	11,384	0.0150	150,450	677	33,721	60,157	0.0980	439,847
China's FDI	3,312	147.4	721.3	-11,453	16,981	2,358	106.3	520.4	-11,453	10,452	954	249.2	1,060	-3,212	16,981
China's M&A	3,312	153.5	1,092	0	43,782	2,358	57.33	426.0	0	13,883	954	391.1	1,901	0	43,782
BRI	3,312	0.149	0.356	0	1	2,358	0.209	0.407	0	1	954	0	0	0	0
GDP	3,307	326.9	1,357	0.0195	21,373	2,357	117.9	276.0	0.0902	2,409	950	845.5	2,418	0.0195	21,373
Natural Resource	3,294	0.824	0.381	0	1	2,358	0.888	0.315	0	1	936	0.661	0.474	0	1
Trade Openness	2,839	9,837	16,389	30.47	152,195	2,021	8,205	15,936	30.47	152,195	818	13,869	16,802	40.07	87,595
WTO	3,312	0.817	0.387	0	1	2,358	0.811	0.391	0	1	954	0.830	0.376	0	1
RTA with China	3,312	0.0975	0.297	0	1	2,358	0.113	0.317	0	1	954	0.0587	0.235	0	1
CRS Corruption	3,026	2.783	1.491	0.100	9	2,178	2.990	1.383	0.100	9	848	2.251	1.623	0.100	6.930
Exchange Rate ($)	3,290	627.6	2,621	0.205	42,000	2,336	791.3	3,051	0.205	42,000	954	226.9	815.8	0.500	6,771
Inflation (%)	3,088	5.475	13.88	-18.11	557.2	2,258	6.116	15.96	-10.07	557.2	830	3.730	4.438	-18.11	36.70
Vote	3,204	0.651	0.165	0	0.911	2,337	0.672	0.156	0	0.911	867	0.593	0.173	0	0.874
Communication Infrastructure	3,238	103.5	57.10	0.632	453.3	2,318	99.36	55.49	0.632	237.1	920	113.9	59.74	0.833	453.3

Table 3 Impact of China's FDI and BRI on Non-China's FDI

	Non-China's FDI	Non-China's FDI	Non-China's FDI	Non-China's FDI	Non-China's FDI	Non-China's FDI
	All Countries		BRI Countries		Non-BRI Countries	
	(RE)	(FE)	(RE)	(FE)	(RE)	(FE)
	(1)	(2)	(3)	(4)	(5)	(6)
China's FDI	4.982***	4.652***	0.408	0.0242	7.999***	8.007***
	(0.477)	(0.504)	(0.282)	(0.284)	(1.116)	(1.215)
BRI	-1,414	3,324**	-363.4	527.3		
	(958.7)	(1,378)	(374.4)	(702.2)		
GDP	11.45***	11.56***	10.83***	10.98***	10.04***	8.572***
	(0.410)	(1.226)	(0.924)	(1.896)	(0.937)	(2.424)
Inflation (%)	4.155	3.535	2.505	-0.766	111.5	-373.6
	(24.89)	(25.69)	(9.493)	(9.718)	(401.5)	(486.2)
Natural Resource	440.2	-3,815	-2,500***	-897.0	4,695	-11,449
	(1,444)	(2,539)	(783.1)	(1,228)	(4,571)	(7,324)
WTO	-142.8	-2,843	-1,001	-1,786*	3,738	
	(1,573)	(2,754)	(688.0)	(1,048)	(8,653)	
Trade Openness	0.141***	-0.0380	0.179***	0.104**	0.0667	-0.291
	(0.0389)	(0.0907)	(0.0191)	(0.0410)	(0.151)	(0.299)
Exchange Rate ($)	0.0208	-0.0801	0.0621	0.0378	-0.744	5.585
	(0.199)	(0.362)	(0.0832)	(0.137)	(2.481)	(6.663)
RTA with China	-1,911	-3,698	1,515**	2,304*	-9,605	-8,142
	(1,620)	(2,571)	(751.6)	(1,186)	(6,864)	(8,439)
CRS Corruption	-571.9	-589.4	-372.8**	-549.7**	-812.1	256.4
	(363.8)	(581.7)	(166.4)	(252.0)	(1,388)	(2,193)
Vote	-774.8	-1,553	3,259*	1,054	-3,173	-8,631

	(3,438)	(5,933)	(1,692)	(2,590)	(12,421)	(21,028)
Communication Infrastructure	12.08	34.66**	5.978	18.12**	56.88	107.5
	(10.03)	(17.43)	(4.553)	(7.984)	(44.96)	(66.05)
Constant	1,710	4,761	1,451	1,299	-4,648	3,582
	(3,040)	(5,205)	(1,444)	(2,337)	(13,188)	(15,419)
Observations	2,442	2,442	1,785	1,785	657	657
R-squared		0.141		0.064		0.224
Number of country	168	168	126	126	42	42
Country FE		Yes		Yes		Yes
Year FE		Yes		Yes		Yes

Note: (1) Columns (3) & (4) represent only BRI countries in this subgroup;(2) Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 4 Impact of China's M&A and BRI on Non-China's M&A

	Non-China's M&A	Non-China's M&A	Non-China's M&A	Non-China's M&A	Non-China's M&A	Non-China's M&A
	All Countries		BRI Countries		Non-BRI Countries	
	(RE)	(FE)	(RE)	(FE)	(RE)	(FE)
	(1)	(2)	(3)	(4)	(5)	(6)
China's M&A	2.324***	2.209***	0.575	0.0994	2.618***	2.703***
	(0.314)	(0.312)	(0.399)	(0.398)	(0.591)	(0.582)
BRI	-982.7	295.8	-654.2	419.6		
	(1,123)	(1,541)	(511.6)	(967.8)		
GDP	16.66***	18.22***	27.43***	19.66***	15.25***	18.43***
	(0.619)	(1.250)	(0.653)	(2.475)	(1.294)	(2.312)
Inflation (%)	-4.039	-12.28	0.620	-4.606	43.02	-424.6
	(27.41)	(27.00)	(12.07)	(12.64)	(588.8)	(660.0)
Natural Resource	1,212	2,178	-4,112***	-73.30	9,812	3,379
	(2,099)	(2,674)	(782.9)	(1,620)	(6,114)	(7,325)
WTO	-1,992	-4,810	-1,846***	-5,613***	5,603	
	(2,472)	(3,275)	(705.5)	(1,546)	(18,960)	
Trade Openness	0.149***	0.254***	0.0588***	0.0325	0.255	0.462
	(0.0552)	(0.0970)	(0.0150)	(0.0544)	(0.199)	(0.308)
Exchange Rate ($)	-0.181	-0.198	-0.289***	-0.145	-0.698	0.486
	(0.288)	(0.441)	(0.0687)	(0.208)	(3.871)	(7.457)
RTA with China	216.6	-426.2	1,426**	1,319	-2,514	2,392
	(2,151)	(2,718)	(614.3)	(1,553)	(8,021)	(8,653)
CRS Corruption	-2,324***	226.9	-762.2***	-595.0*	-5,835***	1,471
	(488.2)	(672.3)	(189.7)	(359.9)	(1,890)	(2,572)
Vote	-7,661	-6,883	-617.3	1,267	-7,587	-28,042
	(5,331)	(8,133)	(1,742)	(4,294)	(19,020)	(30,415)
Communication Infrastructure	20.56	75.93***	-7.758	11.36	79.78	174.0**
	(13.59)	(19.46)	(5.001)	(11.08)	(59.40)	(72.47)
Constant	12,321**	658.7	7,933***	5,374	4,674	-8,840
	(4,930)	(6,541)	(1,688)	(3,600)	(24,459)	(19,639)

Observations	2,016	2,016	1,475	1,475	541	541
R-squared		0.215		0.079		0.329
Number of country	157	157	119	119	38	38
Country FE		Yes		Yes		Yes
Year FE		Yes		Yes		Yes

Note: (1) Columns (3) & (4) represent only BRI countries in this subgroup;(2) Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 5 Lagged Impact of China's FDI (China's M&A) and BRI on non-China's FDI (non-China's M&A)

	Non-China's FDI (RE) (1)	Non-China's FDI (FE) (2)	Non-China's M&A (RE) (3)	Non-China's M&A (FE) (4)
China's FDI	5.007***	4.698***		
	(0.498)	(0.505)		
China's FDI Lag 1	2.503***	2.373***		
	(0.501)	(0.504)		
China's FDI Lag 2	0.289	0.275		
	(0.506)	(0.511)		
China's FDI Lag 3	0.00462	0.120		
	(0.505)	(0.513)		
China's FDI Lag 4	-1.426***	-1.409***		
	(0.488)	(0.491)		
China's FDI Lag 5	-2.703***	-2.931***		
	(0.476)	(0.475)		
China's M&A			2.524***	2.126***
			(0.319)	(0.312)
China's M&A Lag 1			-1.132***	-1.574***
			(0.324)	(0.320)
China's M&A Lag 2			-0.731**	-1.151***
			(0.327)	(0.326)
China's M&A Lag 3			0.209	-0.214
			(0.330)	(0.333)
China's M&A Lag 4			-0.0281	-0.363
			(0.333)	(0.335)
China's M&A Lag 5			-0.325	-0.311
			(0.324)	(0.310)
BRI	-1,427	2,704**	-1,086	-290.5
	(948.2)	(1,360)	(1,131)	(1,534)
GDP	11.38***	12.27***	17.58***	23.83***
	(0.434)	(1.430)	(0.652)	(1.698)
Inflation (%)	3.805	2.717	-2.608	-9.691

	(24.54)	(25.30)	(27.60)	(26.75)
Natural Resource	501.6	-3,517	715.0	1,418
	(1,436)	(2,500)	(2,014)	(2,653)
WTO	72.82	-1,970	-1,702	-5,190
	(1,563)	(2,714)	(2,359)	(3,247)
Trade Openness	0.128***	-0.0625	0.154***	0.265***
	(0.0389)	(0.0894)	(0.0520)	(0.0961)
Exchange Rate ($)	0.0345	-0.0899	-0.186	-0.254
	(0.198)	(0.356)	(0.270)	(0.437)
RTA with China	-2,280	-3,797	585.3	-175.3
	(1,617)	(2,551)	(2,061)	(2,699)
CRS Corruption	-829.8**	-528.4	-2,298***	108.9
	(361.3)	(572.9)	(478.0)	(667.0)
Vote	-940.5	-2,015	-8,265	-4,113
	(3,413)	(5,844)	(5,139)	(8,103)
Communication Infrastructure	6.728	33.35*	19.30	64.30***
	(9.983)	(17.18)	(13.35)	(19.46)
Constant	3,241	5,064	12,874***	-45.03
	(3,024)	(5,127)	(4,778)	(6,503)
Observations	2,442	2,442	2,016	2,016
R-squared		0.169		0.232
Number of country	168	168	157	157
Country FE		Yes		Yes
Year FE		Yes		Yes

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

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APPENDICES

Appendix. A: BRI Country List, the Year of MoU, and WTO Member Status, 2013-2022

Year	Belt and Road Portal	Nedopil (2022)
2013	Kyrgyzstan*	Afghanistan**
	Pakistan*	Belarus
		Cambodia*
		Kyrgyzstan*
		Macedonia*
		Moldova*
		Mongolia*
		Pakistan*
2014	Belarus	Thailand*
	Kazakhstan**	
	Qatar*	
	Sri Lanka*	
2015	Armenia*	Armenia*
	Azerbaijan	Azerbaijan
	Bulgaria*	Bulgaria*
	Czech Republic*	Cameroon*
	Georgia*	Czech Republic*
	Hungary*	Hungary*
	Iraq	Indonesia*
	Macedonia*	Iraq
	Poland*	Kazakhstan*
	Portugal*	Poland*
	Serbia	Romania*
	Slovakia*	Serbia
	South Korea*	Slovakia*
	Tajikistan*	Somalia
	Turkey*	South Africa*
	Ukraine*	Turkey*
	Uzbekistan	Uzbekistan
2016	Afghanistan*	Egypt*
	Bangladesh*	Georgia*
	Cambodia*	Latvia*
	Egypt*	Myanmar*
	Iran	Papua New Guinea*
	Laos*	
	Saudi Arabia*	
2017	Albania*	Albania*
	Bosnia and Herzegovina	Bosnia and Herzegovina
	Brunei*	Croatia*
	Croatia*	East Timor
	East Timor	Estonia*
	Estonia*	Ivory Coast (Côte d'Ivoire)*
	Latvia*	Kenya*
	Lebanon	Lebanon
	Lithuania*	Lithuania*
	Madagascar*	Madagascar*
	Malaysia*	Malaysia*

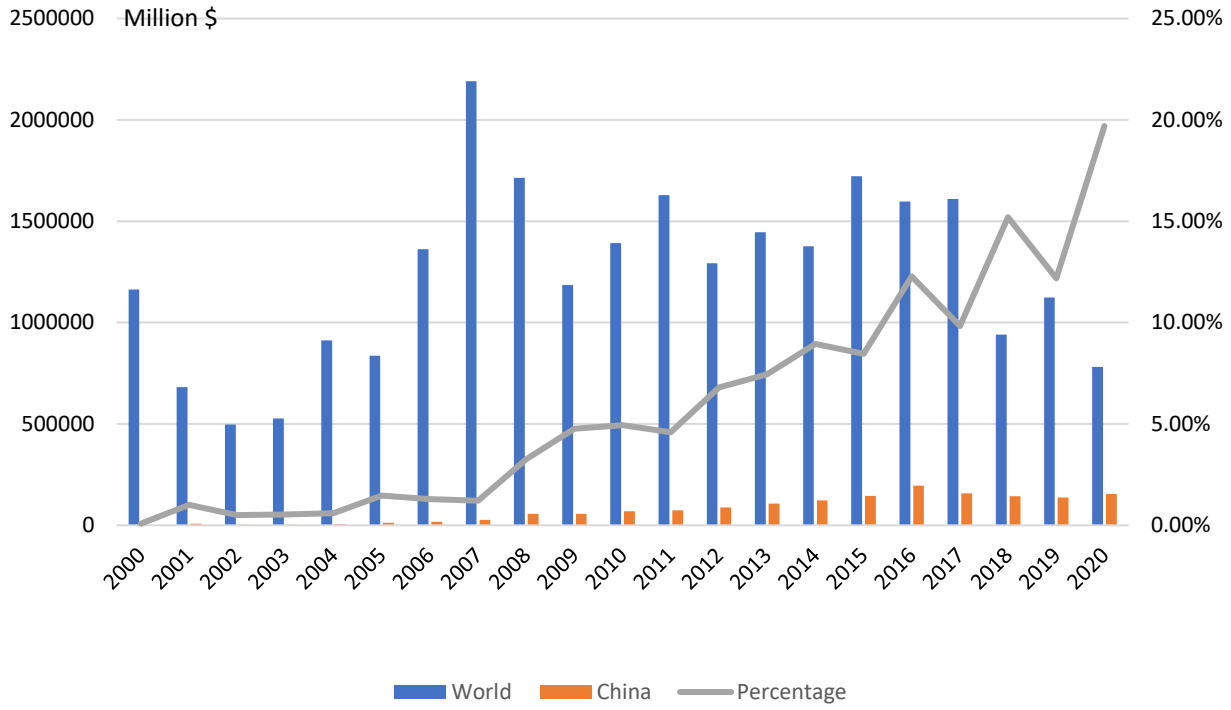
	Maldives*	Maldives*
	Moldova*	Montenegro*
	Mongolia*	Morocco*
	Montenegro*	Nepal*
	Morocco*	New Zealand*
	Myanmar*	Panama*
	Nepal*	Philippines*
	New Zealand*	Slovenia*
	Panama*	Sri Lanka*
	Romania*	Ukraine*
	Russia*	Vietnam*
	Singapore*	Yemen*
	Slovenia*	
	Thailand*	
	Vietnam*	
2018	Algeria	Algeria
	Angola*	Angola*
	Antigua and Barbuda*	Antigua and Barbuda*
	Austria*	Bahrain*
	Bahrain*	Bolivia*
	Bolivia*	Brunei*
	Burundi*	Burundi*
	Cameroon*	Cape Verde*
	Cape Verde*	Chad*
	Chad*	Chile*
	Chile*	Cook Islands
	Congo*	Costa Rica*
	Cook Islands	Djibouti*
	Costa Rica*	Ecuador*
	Djibouti*	El Salvador*
	Dominica*	Ethiopia
	Ecuador*	Fiji*
	El Salvador*	Gabon*
	Ethiopia	Gambia*
	Fiji*	Ghana*
	Gabon*	Greece*
	Gambia*	Grenada*
	Ghana*	Guinea*
	Greece*	Guyana*
	Grenada*	Iran
	Guinea*	Kuwait*
	Guyana*	Laos*
	Indonesia*	Libya
	Ivory Coast (Côte d'Ivoire)*	Malta*
	Kenya*	Mauritania*
	Kuwait*	Micronesia
	Libya	Mozambique*
	Malta*	Namibia*
	Mauritania*	Nigeria*
	Micronesia	Niue
	Mozambique*	Oman*

	Namibia*	Portugal*
	Nigeria*	Rwanda*
	Niue	Samoa*
	Oman*	Saudi Arabia*
	Papua New Guinea*	Senegal*
	Philippines*	Seychelles*
	Rwanda*	Sierra Leone*
	Samoa*	Singapore*
	Senegal*	South Korea*
	Seychelles*	South Sudan
	Sierra Leone*	Sudan
	Somalia*	Suriname*
	South Africa*	Tajikistan*
	South Sudan	Tanzania*
	Sudan	Togo*
	Suriname*	Tonga*
	Tanzania*	Trinidad and Tobago*
	The Dominican Republic*	Tunisia*
	Togo*	Uganda*
	Tonga*	United Arab Emirates*
	Trinidad and Tobago*	Uruguay*
	Tunisia*	Vanuatu*
	Uganda*	Venezuela*
	United Arab Emirates*	Zambia*
	Uruguay*	Zimbabwe*
	Vanuatu*	
	Venezuela*	
	Zambia*	
	Zimbabwe*	
2019	Barbados*	Bangladesh*
	Benin*	Barbados*
	Comoros	Cuba*
	Cuba*	Cyprus*
	Cyprus*	Equatorial Guinea
	Equatorial Guinea	Italy*
	Italy*	Jamaica*
	Jamaica*	Lesotho*
	Lesotho*	Liberia*
	Liberia*	Luxembourg*
	Luxembourg*	Mali*
	Mali*	Peru*
	Peru*	Qatar*
	Solomon Islands*	Solomon Islands*
	Yemen*	
2020	Kiribati	Kiribati
2021	Botswana*	Democratic Republic of Congo*
	Burkina Faso*	
	Central African Republic*	
	Democratic Republic of Congo*	
	Eritrea*	
	Guinea-Bissau*	

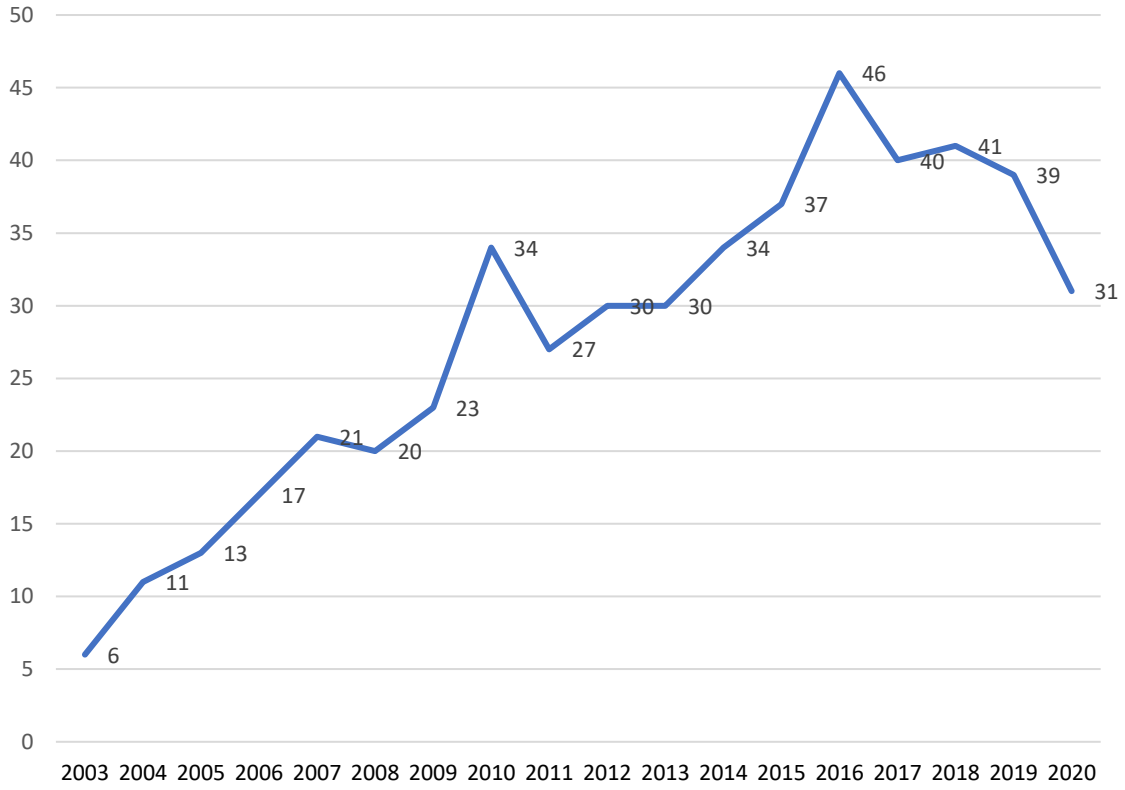
	São Tomé and Príncipe	
2022	Argentina*	Not updated
	Malawi*	
	Nicaragua*	
	Syria*	
Unknown	Niger*	Austria*
		Benin*
		Comoros
		Congo*
		Dominica*
		Niger*
		Russia*

Notes: *: the country had been a WTO member before the year; **: the country had not been a WTO member this year but became a WTO member after some years; without * or **: the country is not a WTO member; countries who signed MOU after 2021 and unknown and Chile, Cook Island, Niue, Somalia, South Sudan, Cuba are not included in the empirical analysis; our analysis based on country list from Belt and Road Portal.

Appendix. B: Outward FDI Flow from World and China, 2000-2020



Appendix C: Number of Countries that Received FDI from China via M&A, 2003-2020



Appendix D: Pariwise Correlation of Independent Variables

Panel A: All Countries

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1) China's FDI	1.000												
(2) China's M&A	0.585	1.000											
(3) BRI	0.029	-0.032	1.000										
(4) GDP	0.465	0.483	-0.053	1.000									
(5) Communication Infrastructure	0.159	0.112	0.165	0.168	1.000								
(6) Natural Resource	-0.027	-0.008	0.085	-0.042	-0.248	1.000							
(7) Inflation (%)	-0.030	-0.030	0.022	-0.046	-0.129	0.100	1.000						
(8) Exchange Rate ($)	0.047	-0.022	0.093	-0.021	-0.046	0.093	0.065	1.000					
(9) Trade Openness	0.259	0.122	-0.008	0.083	0.481	-0.279	-0.115	-0.113	1.000				
(10) WTO	0.068	0.053	0.047	0.093	0.195	0.091	-0.079	-0.087	0.150	1.000			
(11) RTA with China	0.176	0.023	0.085	0.008	0.104	-0.049	-0.026	0.223	0.118	0.124	1.000		
(12) Corruption	-0.114	-0.124	0.167	-0.190	-0.297	0.259	0.161	0.107	-0.493	-0.173	-0.043	1.000	
(13) Vote	-0.094	-0.135	-0.034	-0.252	-0.128	0.199	0.100	0.123	-0.177	0.041	0.181	0.258	1.000

Panel B: BRI Countries

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1) China's FDI	1.000												
(2) China's M&A	0.359	1.000											
(3) BRI	0.090	0.015	1.000										
(4) GDP	0.211	0.196	0.070	1.000									
(5) Communication Infrastructure	0.152	0.113	0.247	0.314	1.000								
(6) Natural Resource	-0.104	-0.081	0.020	-0.061	-0.134	1.000							
(7) Inflation (%)	-0.014	-0.017	0.003	-0.024	-0.102	0.071	1.000						
(8) Exchange Rate ($)	0.105	-0.003	0.071	0.094	-0.027	0.067	0.058	1.000					
(9) Trade Openness	0.379	0.256	0.043	0.140	0.457	-0.268	-0.090	-0.099	1.000				
(10) WTO	0.048	0.024	0.065	0.073	0.208	0.039	-0.075	-0.114	0.138	1.000			
(11) RTA with China	0.288	0.112	0.073	0.194	0.083	-0.056	-0.035	0.248	0.146	0.131	1.000		
(12) Corruption	-0.034	-0.052	0.139	-0.029	-0.197	0.194	0.153	0.082	-0.400	-0.172	-0.058	1.000	
(13) Vote	0.088	0.042	-0.113	0.006	-0.063	0.222	0.085	0.116	-0.051	0.103	0.210	0.175	1.000

Panel C: Non-BRI Countries

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) China's FDI	1.000											
(2) China's M&A	0.680	1.000										
(3) GDP	0.559	0.492	1.000									
(4) Communication Infrastructure	0.164	0.126	0.180	1.000								
(5) Natural Resource	0.081	0.079	0.048	-0.380	1.000							
(6) Inflation (%)	-0.109	-0.088	-0.139	-0.404	0.277	1.000						
(7) Exchange Rate ($)	-0.056	-0.051	-0.082	-0.146	0.187	0.086	1.000					
(8) Trade Openness	0.126	0.058	0.045	0.504	-0.229	-0.346	-0.190	1.000				
(9) WTO	0.100	0.090	0.154	0.159	0.210	-0.111	0.108	0.164	1.000			
(10) RTA with China	0.077	0.002	-0.004	0.215	-0.124	-0.002	-0.059	0.096	0.113	1.000		
(11) Corruption	-0.169	-0.144	-0.234	-0.465	0.261	0.266	0.237	-0.623	-0.154	-0.102	1.000	
(12) Vote	-0.275	-0.225	-0.382	-0.239	0.064	0.171	0.128	-0.335	-0.072	0.006	0.311	1.000