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WHAT ARE THE DETERMINANTS OF CHINESE FOREIGN DIRECT INVESTMENTS IN AFRICA

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Abstract

China's presence in Africa has greatly increased over the past decade by becoming a major player in Africa's inward Foreign Direct Investment (FDI) which many scholars have been investigating in a different scope of what's impact of China's FDI in African countries. However, few studies have focused on the key factors that attract Chinese FDI. This paper initially focuses on recent massive China's FDI to Africa. It is then expanded to identify the factors or determinants that attract China's outward FDI into Africa from the period of 2005 to 2014, and to find if there was a positive relation with (i) the market size; (ii) trade openness; (iii) scrutinize the influence of African economic stability on Chinese FDI flows; (iv) the relation with Africa political stability; (v) the positive impact on the natural resource endowment; (vi) the impact of the infrastructure facilities and the strategies of Chinese firms that are going to Africa and how these are influenced by domestic institutions in China. Based on the empirical findings, the study showed that China's investments responded positively to resource seeking, market opportunities ties, and infrastructure. For example, China's OFDI goes to countries with good market size and good infrastructure. These findings would be useful for scientists, readers, and

policy-makers to inform the determinants of Chinese outward FDI in the African countries and identify the potential challenges and opportunities on the attraction of Chinese FDI which have been seldom studied.

Keywords: Foreign Direct Investment (FDI), determinant factors, China, African countries

INTRODUCTION

Foreign Direct Investment (FDI) flow is one of the main dynamics of the globalization phenomenon that has been influencing the world's economy in the last decades as an effective channel to transfer technology and foster growth in developing countries. Globalization has led to a rapid increase in foreign direct investment and this has not spared China in increasing its FDI. The growth and prosperity which China has achieved within the forty years of years of its inception grabbed much attention from all over the world. From being the extremely poor and underdeveloped country to being an economic power model for the entire world the trade and investment made by China in several countries have played an important. Among the countries which have been benefited from Chinese investment Africa is one region.

The Sino-African relationships have been under the observation of the entire world because of the level of foreign direct investment (FDI) which China made in Africa. China has been a source of development model for Africa and has become the basis for investment and trade relations with African economic partners.

In the literature, very few studies have been found which consider the aspect of determinants of the FDI. It is obvious and proved by the research studies that the countries have some motives or benefits for which they invest in the other regions. After the thorough analysis, the countries take the investment decisions in form of foreign direct investment. Therefore, it is imperative to study the determinants that attract foreign direct investment (FDI). But, in the case of the Sino-Africa relationships, there has been found no significant study that includes the research about the determinants of the Chinese outward FDI in the Africa countries. The African countries gain a lot with the Chinese FDI, therefore, to determine that what factors can be the point of attraction for China to make the investment in Africa there is a need to conduct the study. On the other hand, different opinions point the political benefits of China behind its outward FDI in Africa. In order to verify these opinions, a study is needed to be conducted to determine what factors can attract the Chinese outward FDI to Africa.

According to United Nations Conference on Trade and Development (UNCTAD), foreign direct investment (FDI) is defined as an investment involving a long-term relationship and

reflecting a lasting interest and control of a resident entity in one economy (namely, foreign direct investor or parent enterprise) in an economy other than that of the foreign direct investor (FDI enterprise or affiliate or foreign affiliate). FDI implies resident in the order economy (Hye, 2011).

According to Aminian (2007), FDI includes three components: equity capital, reinvested earnings and intra-company loans. The term "foreign direct investment" is generally associated with an investment into a foreign country that secures control over a local operation. FDI is therefore often synonymously used for the more precise "inbound foreign direct investment". Both inward and outward FDI can be described in terms of flows and stocks (I. Simonovska, 2014). FDI flow is the capital provided by the investing enterprise to the foreign-invested companies, or capital provided by the foreign-invested company to the investing enterprise in a given period of time. FDI stock is the accumulation of yearly FDI minus the investments that are sold the same year. Hence, McCombie (2016), the "FDI stock is the value of the share of the capital and reserves attributable to investing enterprises, plus the net indebtedness of affiliated to the parent enterprise".

AFRICAN DETERMINANTS OF FDI

According to the African perspective as well as African studies, there are several determinants of the FDI. These are discussed in the form of rate of return, infrastructure development or in the form of trade openness.

Rate of return

It is assumed that the more investment is made in those of the countries have the potential of providing higher rates of return on the investment. But a major problem that exists on part of the developing countries is the accurate tool for measuring the return on investment (Barro, 2013). Therefore, including this in the hypothesis as the determinant becomes difficult in the perspective of the developing countries (Ahearne, 2004). As in the developing market, McCombie (2016), there is no well-performing capital market that makes the measuring of return on capital difficult. However, Africa's rate of return on the foreign direct investment from 1991 to 1996 has been measured. This was because of the strong presence of foreign direct investment (FDI) in the country that made the market stable (Hye, 2011). At that time, the rate of return for the American investment was 30%, for Asian FDI the rate of return was 21%, for Latin America rate of return was 14% and for other developing countries it was 16%. However, the absence of the well-performing capital made it difficult to take this determinant into account.

Infrastructure development

With the better infrastructure, the mobilization of the investment becomes possible. With this mobilization, the return on the investment or the investment productivity increases to a greater extent (Seetanah, 2007). This productivity increase attracted more and more foreign direct investment (FDI) in the country. In some of the studies, in order to measure the infrastructure development the telephone subscription per 100 or per 1000 people has been used (Bawa, 2012). For measuring the infrastructure development it is important to consider both the availability as well as reliability aspect of it. In case of the absence of either aspect, the essence of the determinant cannot be achieved (Yatai, 2016).

Trade openness

Trade openness refers to the ratio of imports and exports of goods or services to the GDP. Mostly, in literature, trade openness is measured as the import and export in GDP%. On the other hand, trade restrictions can also use this measure (Ahmed, 2006). The impact of the trade openness on foreign direct investment (FDI) can be of different types. The investment based on market seeking may attract more FDI in case of less trade openness. On the other hand, McCombie (2016), trade openness may work better for multinational organizations. There is a need to develop the empirical link between trade openness and foreign direct investment (FDI) in the case of African countries (G.Onyewuchi, 2013).

Political stability

Generally, the relationship between political stability and the increased amount of foreign direct investment (FDI) is unclear. There are researchers who have found either no relationship between the variables or the negative relationship between the variables (Estache, 2010). In this research, the political stability is to be accessed as the determinant of the Chinese FDI in African countries.

Economic stability

In the success or growth of a country, economic stability plays a vital part. Usually, economic stability is measured in two ways. Some of the researchers have found that GDP growth rate is the measure for the economic stability (Ahearne, 2004). While some argued that GDP per capita would be the suitable measure for this purpose. Empirically, McCombie (2016), economic stability is measured through the inflation rate in the region. It is found that a higher rate of inflation creates many issues for the investment to achieve the desired goals, therefore; the

investors try not making the investment in a region with a higher rate of inflation (Gadzala, 2015).

Natural resources

There is a need for natural resources if an economy is to grow. There are many economies who have exploited their natural resources in order to increase the economic development (Ahmed, 2006). Countries with the more natural resources are found to attract the higher level of foreign direct investment because of the potential possessed by the natural resources to increase the productivity and rate of return of the foreign direct investment (FDI) (Alfaro, 2004). As Africa is the region blessed with numerous natural resources, therefore, this is to be taken into account as the determinant of the FDI.

RESEARCH OBJECTIVES AND HYPOTHESES

The overall objectives of this paper were to identify the determinants of Chinese outward FDI in Africa, and the strategies of the Chinese firms that are going abroad especially Africa and how these are influenced by domestic institutions in China. The central objectives of this study were as follows.

- To analyze the impact of African GDP per capita on Chinese outward Foreign direct investment (FDI)
- To determine the impact of African trade openness on Chinese outward Foreign direct investment (FDI)
- To evaluate the impact of African political stability on Chinese outward Foreign direct investment (FDI)
- To scrutinize the influence of African economic stability on Chinese outward Foreign direct investment (FDI)
- To find the effect of African natural resources on Chinese outward Foreign direct investment (FDI)
- To analyze the impact of African infrastructure facilities on Chinese outward Foreign direct investment (FDI).

And, following hypotheses are formed:

(H1): African GDP per capita has significant relationship with Chinese FDI

(***H2):*** African political stability has significant relationship with Chinese FDI

(***H3):*** African economic stability has significant relationship with Chinese FDI

(***H4):*** African trade openness has a significant relationship with Chinese FDI

(***H5):*** African natural resources has a significant relationship with Chinese FDI

(***H6):*** African infrastructure facilities has a significant relationship with Chinese FDI

METHODOLOGY

This part demonstrated the empirical findings of the study. The first part section discussed the regression assumption testing. It also revealed and discussed the results from the descriptive statistics of the variables. Afterward, the results from the panel data analysis were provided. The panel data analysis was performed in Eviews. The data are collected from the United Nations Conference on Trade and Development (UNCTAD) database, combine with the data from China's Minister of Commerce (MOFCOM).

Based on the theoretical framework presented above and the structure of African economies as well as the characteristics of Chinese FDI inflows to Africa, we use the following model in estimating the factors that make FDI go where they do in African countries.

$$(FDI_{it}) = a + \beta_1 GDPpC_{it} + \beta_2 Opnness_{it} + \beta_3 PolGov_{it} + \beta_4 EconInst_{it} + \beta_5 Nat\,\mathrm{Res}_{it} + \beta_6 Infrastruc_{it} + \varepsilon_{it}$$

Where:

I and t denote countries and time, respectively and the variables are defined as follows:

FDI denotes the net FDI inflows as % of GDP,

GDPPC is gross domestic product per capita (US$),

Openness is openness index - total trade (% of GDP),

Economy instability measure by the inflation,

Political, political stability and absence Of violence,

Infrastructure facilities are the number of the mobile phone,

β is a vector of coefficients,

εij represents the myriad other influences on FDI, assumed to be well behaved

ANALYSIS AND RESULTS

Result of descriptive statistics

In order to meet our research objective, we present the descriptive statistics for African countries in the table. With some missing values from the World Bank database, the issue of unbalanced datasets could arise, with each variable comprising 100 complete observations, with the exception of Political Stability (POLIT).

Table 1: Descriptive Statistics (n=10)

	Economic _Stability	FDI	GDP	Infrastructure	Natural_ Resources	Political_ Stability	Trade_ Openness
Mean	5.5522	2.099	6429.104	105.2542	3.8278	-0.019	30.1669
Median	5.75	1.475	6214.07	94.376	3.692	-0.03	30.0925
Maximum	10.055	4.72	7976.466	145.364	5.034	0.22	35.622
Minimum	2.063	0.4	5277.925	69.561	2.714	-0.16	26.447
Std. Dev.	2.211697	1.708583	920.6586	27.32436	0.709087	0.112886	2.483836
Skewness	0.417379	0.399421	0.37872	0.343518	0.351806	0.694556	0.753849
Kurtosis	3.103758	1.520644	1.790009	1.618888	2.369651	3.093965	3.612309
Jarque-Bera	0.294828	1.177767	0.84908	0.991453	0.371837	0.807693	1.103364
Probability	0.862937	0.554946	0.65407	0.609128	0.830341	0.667747	0.57598
Sum	55.522	20.99	64291.04	1052.542	38.278	-0.19	301.669
Sum Sq. Dev.	44.02442	26.27329	7628510	6719.587	4.52524	0.11469	55.52496

We observe in the table 1 that Chinese net FDI inflows in African countries from 2005 to 2014 are respectively between the highs and lows of $ 4.72 billion and $ 0.40 billion, with an average of $ 2.099 billion and the standard deviation of US$ 1.7085.

Economic stability is between 10.055 and 2.063 due to the global financial crises between 2008 and 2009 which caused the depreciation of many countries and the recession in Zimbabwe was much deeper than others, with a standard dev. of 2.211. Further, the GDP has the highest standard deviation of 920.6586, a range value of 7976.466 billion US$ to 5277.925 US$ because of some good economic performances which were made in the period after 2010. Moreover, the infrastructure facilities have a good standard deviation of 27.32 with a range value minimum of 69.56 to maximum 145.364 mobile subscriptions per 100 people. The Trade openness variable has a value from 26.447 to 35.622 with a standard deviation of 2.48. On the side, Political stability and natural resource have the lowest standard deviation respectively of 0.11 for political stability and 0.70 for natural resources because the various conditions of natural resources available within the continent Dr. Congo, South Africa, Zambia, and Nigeria have plenty of it, whereas it is not the case of Rwanda, Kenya and others. Moreover, the skewness value for all the variables is between -1 to +1; therefore, it shows the normality of data related to all the variables.

Correlation analysis

Table 2: Correlation Analysis

Probability	Chinese_FDI_In_Africa_Bi	Economic_Stability_Infl	GDP_Per_Capita_Us_$	Infrastructure_Facilitie	Natural_Resources_GDP_	Political_Stability	Trade_Openness_Export_O
Chinese_FDI_In_Africa_Bi	1						

Economic_Stability_Infl	0.067759	1					
	0.192094	---					
	0.8525	---					
GDP_Per_Capita_Us_$_	0.697439	-0.0148	1				
	2.752629	-0.04186	---				
	0.025	0.9676	---				
Infrastructure_Facilitie	0.98392	0.204166	0.677325	1			
	15.58118	0.589894	2.604061	---			
	0	0.5715	0.0314	---			
Natural_Resources_GDP	0.169275	0.391705	0.434977	0.207304	1		
	2.485792	1.20413	1.366332	0.599363	---		
	0.0041	0.263	0.209	0.5655	---		
Political_Stability	0.345467	0.243565	0.026864	-0.26378	0.455448	1	
	2.041237	0.710296	0.07601	-0.77347	1.44699	---	
	0.0282	0.4977	0.9413	0.4615	0.1859	---	
Trade_Openness__Export_O	0.178394	0.796658	0.049181	0.274969	0.707069	0.44505	1
	0.512799	3.727956	0.139273	0.80891	2.828124	1.40568	---
	0.6219	0.0058	0.8927	0.442	0.0222	0.1974	---

Above table is the representation of the correlation between all the variables. From the above table, it is shown that economic stability has a positive relationship with Chinese FDI because the value is 0.067. On the other side, the value of 0.697 indicates that the GDP per capita also has a positive relationship with Chinese foreign direct investment. Additionally, the infrastructure facility also has a positive relationship with the Chinese FDI as depicted by the figure of 0.98392. Moreover, the value of the relationship between natural resources and Chinese FDI is 0.169275 which is positive. Therefore, the relationship between these two variables is also positive. On the other hand, 0.345467 is the value for correlation between the political stability and Chinese FDI. Furthermore, the figure for correlation between the trade openness and Chinese foreign direct investment is 0.178394 according to which a positive relationship exists between these variables. The correlation results indicate that all the variables have a positive relationship with Chinese FDI.

Regression Analysis

Table 3: Regression Analysis

Dependent Variable: FDI				
Method: Least Squares				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-9.84711	2.255266	-4.36627	0.0222
GDP	0.020373	0.000163	2.290634	0.0559
ECONOMIC_STABILITY	0.196036	0.050769	3.861361	0.0307
INFRASTRUCTURE	0.049985	0.005187	9.63666	0.0024
NATURAL_RESOURCES	0.332258	0.208773	1.591481	0.2097
POLITICAL_STABILITY	0.376831	0.753797	3.153147	0.0511
TRADE_OPENNESS	0.218928	0.089825	2.437286	0.0927

R-squared	0.997055	Mean dependent var	2.099
Adjusted R-squared	0.991166	S.D. dependent var	1.708583
S.E. of regression	0.160593	Akaike info criterion	-0.62387
Sum squared resid	0.07737	Schwarz criterion	-0.41206
Log-likelihood	10.11933	Hannan-Quinn criter.	-0.85622
F-statistic	169.2901	Durbin-Watson stat	3.058822
Prob(F-statistic)	0.000697		

Above table is the representation of regression between all the variables. The value of R-Square indicates that all the variables explain the Chinese FDI 99%. According to the table, 1% increase in the GDP will increase the Chinese FDI by 0.2%. On the other side, 1% increase in economic stability will increase the Chinese FDI by 19%. Also, 1% increase in the infrastructure facilities will increase the Chinese GDP by 0.4%. Additionally, the table indicates that a 1% increase in the natural resources makes the Chinese FDI increase by 33%. Furthermore, 1% increase in political stability will result in a 37% increase in Chinese FDI and 1% increase in trade openness will make the Chinese FDI increase by 21%. This means that all the variables have a direct relationship with the Chinese FDI. In addition, the value of probability ensures the significance as this value is less than 0.05. Also, the model significance is approved by the value of F-statistics which is greater than 4

DISCUSSION OF RESULTS

In order to answer each hypothesis, descriptive statistics & panel data analysis is used. A regression test is used to ensure the reliability of the data analysis. FDI has different benefits and cost regarding home and host country. But there are many factors which affect the FDI inflow. Because it is considered to be beneficial from an economic point of view, first, we discuss the impact of GDP growth on FDI. As the increase in GDP growth will result in an increase in FDI. For the FDI in Africa, it shows a positive and significant correlation and regression. Many studies (Seetanah, 2007) (Adrian, 2011) provide evidence about the impact of GDP on FDI. (Ahmed, 2006) Described that GDP growth is a key factor which influences the financial markets and economy, as a positive shock in the growth rate has a significant and positive impact on the level of GDP. There are many reasons behind this. Some economic factors such as market size and market growth of the country, current accounts positions, access to the market, labor and cost efficiency and economic determinants have an impact on GDP. These factors influence the foreign direct investment inflow into the host countries. In this study, we basically focus on the market size determinant. As the increase in market size attracts more FDI. In this research, the GDP has a range value of 161.63 billion US$ to 15687.35 US$ because of some good economic performances which were made in the period after 2010.

Economic instability of the host country matters a lot to attract FDI. Low level of inflation is considered a sign of economic stability while the high level of inflation is taken to be a sign of inability to balance the budget and ineffective monetary policies. Inflation is basically an indicator of the economic conditions. (Vijayakumar, 2010) Suggested that inflation does not affect FDI directly, but a high level of inflation is like a bad indicator to attract more

foreign investors which decrease the FDI as a source of capital inflow and also depreciate the value of the currency because inflation has many impacts such as an increase in unemployment and decrease in economic growth. Due to these factors, it may have impacts on the decision of foreign investors of entering in such type of markets where inflation level is high. In this study, the inflation hypothesis is not accepted because its correlation and regression values are significant and under the threshold range. So, this hypothesis rejected in this study. The trade openness has also impact on FDI, as the countries may expect more FDI which have more trade openness. (Alfaro, 2004) Elaborated that trade openness helps to increase the economic activities in the country but it has also more negative impacts such as an increase in illegal activities and corruption etc. which ultimately decreases the economic growth of the country and this decrease in economic growth may impact on FDI. In this study, this hypothesis is rejected because it regression and correlation values under the threshold range and significant.

Communication infrastructure is one of the determinants fall under the category which has impacts on FDI. Most of the past studies (Ramasamy, 2010) (Limao, 2001) also used mobile phones as a communication indicator. While many researchers (Bonfatti, 2017) (Estache, 2010) also pointed out that communication infrastructure has an impact on FDI, as well developed communication infrastructure helps to facilitate the communication between home country and the host country. It is also required for the upper-level management to communicate with their foreign employees without travelling to that country where they have been invested. It also saves time and reduces cost. So communication infrastructure increases the profitability and attracts more FDI. In this dissertation, this hypothesis is accepted as its values of regression and correlation are significant and under the threshold range. For some countries, natural resources are blessings to attract the FDI. As natural resources such as minerals and oil exports to total exports ratios are high then it plays a significant role to attract FDI. (Poelhekke, 2010), Argues that natural resources have a positive & significant impact on FDI. Because those countries which are resource richest countries then they have control over the prices of natural resources. Due to this reason, these countries play a vital role in policy making regarding natural resources. In this thesis, this hypothesis is accepted as its values of regression and correlation are significant and under the threshold range. In addition, given the weaknesses of the infrastructure supporting remittances in many south southern African countries, technological improvements in the banking sector could also significantly reduce transaction costs. New banking technologies that can expedite check clearance, reduce exchange losses, and improve disclosure, especially in rural areas in developing countries, can be particularly helpful. The new technology would offer the potential for greater efficiency, lower

costs, and extended outreach. On a positive note, some countries have, in recent years introduced some new technology but still have to upgrade it and do not have it at all, there's a need that the continent much has a satellite for better innovation. In the host country, the political situation has a significant impact on FDI when political instability is high in developing or underdeveloped countries, these countries unable to get more FDI. Because political instability causes more political risk which increases transaction and information cost in these countries. (Ahearne, 2004), Pointed out that political instability has an impact on the FDI. As high instability, investors do not want to invest in such countries which decrease the economic growth of such countries. In this study, this hypothesis of political instability impacts on FDI is accepted because its values of regression and correlation are significant. The responses to one of the political and governance risk factors are mixed. The political stability and absence of violence/terrorism factors are found to "have no tie" with Chinese outward foreign direct investment. The responses to spatial costs, political risk in terms of corruption control and macroeconomic condition factors are found to be insignificant; probably the collected data under FE regression do not explain the relationship with China's OFDI to Africa.

The results show that China's investment in Africa responds to the usual economic forces considered in OFDI literature and it is pouring their investments in every possible sector of economics regardless of macroeconomic conditions, spatial costs and some political and governance risk factors. This can be evidenced in countries like Nigeria, DR. Congo, South Sudan and Somalia which are perceived as political risk countries (by Western standards) but they receive high amount of China's OFDI compared to a country like Botswana with a higher score in political and governance risk The phenomenon might be in sharp with the long history of western investors involvement in Africa's resource-extractive industries with Chinese characteristics/ standard. An alternative way to interpret the empirical results is that; under the investigated key determinants China is catching up with other foreign investors in Africa and spreading its investment wings on its own style and standard.

Given that oil, gas, and mineral resources are non-renewable resources, it is vital to negotiate more beneficial and transparent contracts with oil/mining MNCs operating in Africa, and ensure that these companies do not evade taxes, and respectful of the countries laws in proper manner for greater returns to African countries in terms of royalties, for example, the governments should engage in auctions for oil/mineral rights. And fight against the corruption disease. In this regard, international financial institutions like the African Development Bank have a critical role to play in helping these countries acquire the much-needed capacity not only to negotiate beneficial contracts but also for effective management of natural resource revenues.

IMPLICATIONS

Policymaking implications

The present study is mostly beneficial for the governments and policymakers to develop effective policies in China and Africa to attract more FDI. Therefore, policymakers in these countries are recommended to increase the GDP by developing effective monetary policies as investors would prefer to invest in such countries which are more politically stable, have maximum growth and natural resources as compared to the other countries which have volatile growth and politically unstable. So it has been recommended to policymakers to develop more effective policies regarding effective communication infrastructure to facilitate communication between home and host country which ultimately leads to attract more FDI. To increase FDI in their countries policymakers should make policies regarding investment infrastructure development, investment incentives to promote incentives and trade which increase the economic growth of the country. In the end, the results of this study are not only beneficial regarding the economic point of view but it also helpful for the planning, organizing and reviewing the policies to attract more FDI.

Practical implications

Apart from theoretical and policy-making contributions, the results of present studies provide a practical implications for the government of China and Africa who are capable to get more better understanding regarding to market size, GDP, political stability, inflation and trade openness which are the key determinants of FDI and are also much focused by multinational companies that are looking for the opportunities to invest as FDI. Furthermore, multinational firms do not much focus on trade openness when opting FDI in host countries. This research also useful for political, economic and other FDI determinants for FDI framework within this country, the results are not only beneficial for Africa and China but it also helpful for other countries which want to increase their FDI.

SCOPE FOR FURTHER STUDIES

This study focuses on political and economic indicators factors regarding FDI. There is a wide array of social factors and GDP to debt ratio factors that have a great influence on the country's attractiveness to attract FDI. It is also recommended for future studies that to take into account different types of measurement of related variables of FDI determinants as discussed in various existing theories in order to get more accurate findings of FDI. This research involved only African FDI. To increase the generalizability the same model could be applied to different countries. This study is analyzed by panel data and by regression test. But to get more accurate

results different methodology could be used to explain the FDI in this aspects or different aspects.

CONCLUSION

The primary goal of this study was to investigate the impacts of FDI determinants such as natural resources, political instability, GDP growth, inflation, infrastructure facilities and trade openness on FDI in Africa. The empirical results showed that natural resources, political instability, GDP growth and infrastructure facilities have a positive effect on FDI, while openness to trade and inflation hypothesis are rejected in this study. The regression and correlation test of this study showed significant results regarding the hypothesis. Our findings were also supported by previous studies who reported the impacts of these determinants or factors of FDI. Based on the results of the current study, the following conclusions were reached: The first result suggested that GDP growth has a positive and significant impact on FDI. (Adrian, 2011) Supported that GDP growth plays a significant role to attract the FDI so, hypothesis 1 is accepted while inflation has also impact on GDP. (Vijayakumar, 2010) Suggested that inflation does not affect FDI directly, but the high level of inflation is like a bad indicator to attract more foreign investors which decreases the FDI. While in our research its values under the threshold range so it is rejected. In the next stage, we consider the impact of trade openness on FDI. (Alfaro, 2004) Pointed out that trade openness has no or negative impacts on FDI. But in this study, this hypothesis is rejected as its values are significant and under the threshold range Ramasamy (2010) provide evidence that well-developed communication infrastructure helps to facilitate communication between the home country and the host country. When communication infrastructure is effective then it attracts foreign investors. So FDI increases in those countries where communication infrastructure is well developed which decreases the cost of doing business. So the hypothesis of communication infrastructure effects on FDI is accepted. Furthermore, natural resources are one of the factors which attract FDI. (Poelhekke, 2010) Provides evidence that natural resources have a positive & significant impact on FDI When the host country is most resource-rich than the FDI expectancy level increases in such countries. So the hypothesis of natural resources impacts on FDI is accepted. Political instability also has an impact on FDI. Past studies also supported that (Ahearne, 2004) political instability has an impact on the FDI. Due to high political instability investors do not want to invest in such countries because it decreases the profitability of the investors. And it is a more risky investment. So investors want to prefer in those countries which are politically stable which lead towards the increase in FDI. This study is different from previous studies, as it considers different factors impacts on FDI which has never discussed before.

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