INSTITUTIONAL FACTOR AFFECTING ON CHINA'S OUTWARD FOREIGN DIRECT INVESTMENTS STOCKS OF "OBOR" COUNTRIES USING AN EMPIRICAL TEST OF PANEL DATA WITH GRAVITY MODEL

[1]XIN LIU, [2]ANUPHAK SAOSAOVAPHAK, [3]CHUKIAT CHAIBOONSRI

[1,2]Faculty of Economics, Chiang Mai University, Chiang Mai, Thailand
E-mail: [1]lx1986636671@163.com, [2]anuphak@gmail.com, [3]Chukiat1973@gmail.com.

Abstract - The study analyzed that impacts of institutional factors on China's OFDI stocks during 2008-2017 by using panel data of 37 countries along "OBOR". First, panel unit root test is applied to check the stationary of data. Second, estimated the whole sample based on countries with pooled regression model, fixed effect model and random effect model respectively. At last. LR test and Hausman test showed that fixed model is more appropriate in this study. The regression result indicates that the institutional factors are indeed important factors affecting China's OFDI stocks. The economic institution factors and Political Stability and Absence of Violence, Regulatory Quality, Market Scale of Host Country have positive impact on China's OFDI stocks, the law institutional factors and, Voice and Accountability, Distance between China and Host Countries, Cultures Institutions have negative impact on China's OFDI stocks.

Keywords - Institutional Factors, Panel Data, Fixed Effect Model, OFDI Stocks.

I. INTRODUCTION

In recent years, China's OFDI stocks in the "OBOR" counties has increased rapidly, it increased from 1.317 billion dollars at the end of 2003 to 154.398 billion dollars at the end of 2017, an Increase of 117.23 times that of the original. The China's OFDI stocks in "OBOR" Countries has characteristics of regional relative concentration and large spatial distribution. China's OFDI stocks is mainly concentrated in Southeast Asia, and investment in CEE (Central and Eastern Europe) and CIS (Commonwealth of the Independent States) has always been small. The institutional environment in Southeast Asia is similar to that in China, and the overall institutional environment is better; Less investment is made in Central Asia and South Asia, these areas have serious internal political conflicts, constant ethnic and so on, resulting in inefficient government and poor institutional environment, which brings huge investment risks to multinational enterprises; the China's investment in CEE area is very little, political system of CEE area is different from that of China. Through the above description, this paper will analyze and measure the impact of economic institutional factors, political institutional factors and legal institutional factors, cultural environment institutional factors of the host country have impact on China's OFDI stocks. The rest of the paper is organized as follow. Section 2 is literature reviews. Section 3 is data source and theoretical. Section 4 provides methodology and empirical results. And the last part is conclusion.

II. LITERATURE REVIEW

This paper contributes to the literature on the determinants of FDI in developing countries and re-evaluate the role of the quality of institutions on FDI. [1]Agnès Bénassy-Quéré Maylis Coupet Thierry Mayer (2005). it uses a newly available database, with unprecedented detail on institutions of a set of 52 countries and compare the results with matched variables from more familiar data sets. The results shown in the sense that efforts towards raising the quality of institutions and making them converge towards those of source countries may help developing countries to receive more FDI. [2]Anil Mishra & Kevin Daly (2007) study the effect of quality of institutions in the OECD and Asian host countries on outward foreign direct investment (FDI) stocks of source OECD countries using International Country Risk Guide governance indicators, for the period 1991 to 2001. and finds that better institutions in the host countries have an overall positive and significant effect on source countries OFDI stocks. [3] Mohamed Amal and Bruno Thiago Tomio (2012) the study tested the effects of economic, cultural and institutional variables on the Brazilian OFDI from a host country perspective. The results show that Brazilian OFDI is influenced by economic performance, cultural distance and by the regulatory quality of the host country, suggesting a different pattern of internationalization than the model of MNCs from Asian countries. [4]Mohammad Mafizur Rahman(2006) provide a theoretical justification for using the gravity model in the analysis of bilateral trade and apply the gravity model to analysis the Bangladesh's trade with its major trading partners using the panel data estimation technique. [5]Shuli Wang Jiao'aoXiang (2013) Used parent country's non-financial OFDI data for 142 countries and regions worldwide from 2003 to 2012, and by Heckman's two-stage selection model and extended investment

gravity model to examine the dual constraints of home country's investment motivation and host country's institutional quality. The scale of OFDI investment prefers a better institutional environment, while the investment choice prefers a worse institutional environment. Good regime stability, government efficiency, regulatory quality and corruption control are the most critical institutional factors affecting market-seeking and resource-seeking OFDI investment behavior and have a strong positive effect on its investment scale. [6]Man-Yu HUAN(2016) The research that language distance, political distance, culture distance affects China's OFDI, that proves language barriers and political barriers are the most difficult for Chinese multinational enterprises to overcome. The linear positive correlation of industrialization distance with China's OFDI demonstrates the seeking for strategic asset plays more and more important role in China's OFDI process, and the new tendency need to be paid attention. [7]Vikrant Shirodkar Palitha Konara (2017) Based on a large panel data set of 10,562 firms operating in 17 emerging markets and spanning 80 home countries, and research by examining this relationship in the context of emerging markets, examining the moderating effects of ownership strategy and host-country experience within the context of emerging markets and accounting for a greater variety of institutions by including a large number of home and host countries. The research show that institutional distance negatively affects subsidiary performance in emerging markets, and the negative effects of institutional distance on subsidiary performance are lesser for subsidiaries with partial ownership and for subsidiaries with greater host-country experience. however, there have different comment, the results show that there is no statistically significant relationship between institutional quality factor and FDI inflows to SSA countries.

[8]Chali Nondo (2016) Using fixed effects estimation techniques, this study seeks to explain the impact of institutional quality on foreign direct investment (FDI) inflows to 45 SSA countries over the period 1996–2007. these findings should be interpreted very cautiously as they do not discount the importance of institutional quality in the sustainable development process of SSA. Accordingly, it is plausible that institutional quality may affect FDI indirectly by stimulating other variables, including human capital, infrastructure, and health of workers.

III. DATA AND THEORETICAL MODEL

This study employed panel date of "OBOR" countries during 2007-2018 to analysis. However, due to the lack of statistical data of some variables in some countries, 37 samples countries were finally determined by comprehensive consideration.

The China's OFDI stocks (per million dollar) can be found from Statistical Bulletin of China's Outward Foreign Direct Investment, and Voice and Accountability (VA), Political Stability and Absence of Violence (PS), Regulatory Quality (RQ), Rule of Law (RL) can be found in the Worldwide Governance Indicators by worldbank. Financial Freedom (FF), Investment Freedom (IF), Fiscal Health (FH), Property Rights (PR) can be found in the Heritage foundation.

About Cultural institution (CD), According to the formula of Kogut and Singh (1988), the cultural dimension of Hofstede is synthesized and the cultural distance index between China and the host country is calculated. Market Scale of Host Country (per million dollar), Host country's economic environment (per million dollar) can be found from world bank. Geographical Distance between China and Host Countries (per kilometre) can be found from CEPII Database.

The OFDI stocks, Market Scale of Host Country and Host country's economic environment, Geographical Distance are in natural logarithms to give more specific detail of dependent variables change with the changing of independent variables. Table 1 is the data statistics description of all variables in including LnOFDI, VA, PS, RQ, BF, IF, FH, RL, PR, CD, LnGDP, LnperGDP, Lndistance. There are respectively including 37 countries from 2007 to 2018 in China.

Variable	Mean	Median	Maximum	Minimum	Std.Dev.
LnOFDI	18.49558	18.7989	24.52028	12.20607	2.743069
VA	48.76579	50.35152	74.26281	11.85605	16.84304
PS	45.75322	46.37175	81.71175	-6.200709	17.70971
RQ	55.53428	55.66697	95.21086	15.59781	14.80818
BF	69.13351	69.7	98.3	35.5	11.35041
IF	55.82432	60	90	0	21.2211
FH	81.14324	82.7	99.8	4.6	12.16327
RL	51.00331	49.18227	86.50556	22.56874	13.93625
PR	43.88946	40	97.1	10	19.30956
CD(Culture)	3.071434	2.535557	6.976943	0.567863	1.885518
LnGDP	25.42287	25.63427	28.60654	22.26871	1.489617
LnperGDP	8.872481	8.918577	11.00705	6.7699	0.960737
Lndistance	8.697877	8.857827	8.992425	7.760447	0.347254

Table 1: Data statistic description

The study uses theoretical model based on [9]Anderson (1979) borrowed the gravitational model to explain the flow of investment in international direct investment. He proposed the following models:

$$Q_{ij} = \beta_0 (Y_i)^{\beta^1} (Y_j)^{\beta^2} (N_i)^{\beta^3} (N_i)^{\beta^4} (R_{ij})^{\beta^5} (A_{ij})^{\beta^6} \varepsilon_{ij} \quad (1)$$

In the formula above, where Q_{ij} denotes investment flows between countries or regions Y_i , Y_j Separate Represent economic scales of two countries or regions, N_i , N_j refer population scales of two countries or regions, R_{ij} is negative institutional

factors of two countries, A_{ij} is positive institutional factors of two countries and ε_{ij} represent error items of the model . Various variables can be added to the test according to the research needs, such as time, investment and so on.

In order to facilitate regression, equation (2) is transformed into logarithmic form, and the following results are obtained:

$$\begin{aligned} &\mathrm{Ln}Q_{ij} = \beta_0 + \beta_1 \mathrm{Ln}Y_i + \beta_2 \mathrm{Ln}Y_j + \beta_3 \mathrm{Ln}N_i + \beta_4 \mathrm{Ln}N_j \\ &+\beta_5 \mathrm{Ln}R_{ij} + \beta_6 \mathrm{Ln}A_j + \varepsilon_{ij} \end{aligned} \quad (2)$$

Where ε_{ij} is a normal error term with E(ε_{ij})=0 and β =Ln(β). Regarding to above equation (2), VA, PS, RQ are embedded in the trade gravity model, and the formation equation of political institutional factors for China's OFDI stocks is (3).BF, IF, FH is also embedded in the trade gravity model, and the allowable equation of economic institutional factors for China's OFDI is (4).For the same reason, The measurement legal institutional factors equation of RL, PR is (5) and the culture institutions equation is (6).

Taking the natural logarithm of the equation, the derived equation of this study for China's OFDI stocks:

$$\begin{aligned} &LN(OFDI_{it}) = \alpha_0 + \alpha_1 LN(GDP_{it}) + \alpha_2 LN(ENV_{it}) \\ &+\alpha_3 LN(DIS_{it}) + \alpha_4 VA_{it} + \alpha_5 PS_{it} + \alpha_6 RQ_{it} + \varepsilon_{1\mathrm{it}} + \tau_{1\mathrm{it}} \end{aligned} \quad (3)$$

$$\begin{aligned} &LN(OFDI_{it}) = \beta_0 + \beta_1 LN(GDP_{it}) + \beta_2 LN(ENV_{it}) + \\ &\beta_3 LN(DIS_{it}) + \beta_4 BF_{it} + \beta_5 IF_{it} + \beta_6 FH_{it} + \varepsilon_{2\mathrm{it}} + \tau_{2\mathrm{it}} \end{aligned} \quad (4)$$

$$\begin{aligned} &LN(OFDI_{it}) = \gamma_0 + \gamma_1 LN(GDP_{it}) + \gamma_2 LN(ENV_{it}) \\ &+\gamma_3 LN(DIS_{it}) + \gamma_4 RL_{it} + \gamma_5 PR_{it} + \varepsilon_{3\mathrm{it}} + \tau_{3\mathrm{it}} \end{aligned} \quad (5)$$

$$\begin{aligned} &LN(OFDI_{it}) = \theta_0 + \theta_1 LN(GDP_{it}) + \theta_2 LN(ENV_{it}) \\ &+\theta_3 LN(DIS_{it}) + \theta_4 CD_{it} + \varepsilon_{4\mathrm{it}} + \tau_{4\mathrm{it}} \end{aligned} \quad (6)$$

Where $LN(OFDI_{\mathrm{it}})$ is the natural logarithm of the stocks of China's OFDI to country i in the year of t.

$LN(GDP_{\mathrm{it}})$ is the natural logarithm of gross domestic product of country i in the year of t.

$LN(ENV_{it})$ is the natural logarithm of gross domestic product per capita of country i in the year of t.

$LN(DIS_{it})$ is the natural logarithm of distance between china and host country i in the year of t.

$\mathrm{VA_{it}}, \mathrm{PS_{it}}, \mathrm{RQ_{it}}$ are individual factors in the political institutional factors of country i in the year of t.

$\mathrm{BF_{it}}, \mathrm{IF_{it}}, \mathrm{FH_{it}}$ are individual factors in the economic institutional factors of country i in the year of t.

$\mathrm{RL_{it}}, \mathrm{PR_{it}}$ are individual factors in the law institutional factors of country i in the year of t, and CD_{it} is the informal system of country i in the year of t.

$\tau_{1\mathrm{it}}, \tau_{2\mathrm{it}}, \tau_{3it}, \tau_{4it}$ are the fixed or random effect, which is determined by the Hausman test in the regression,

and $\varepsilon_{1it}, \varepsilon_{2it}, \varepsilon_{3it}, \varepsilon_{4it}$ are random disturbance item.

The above four panel data models are used to test the impact of individual institutional factors on China's OFDI in politics institutional factors and economics institutional factors, legal institutional factors and culture institutions.

IV. METHODOLOGY AND EMPIRICAL RESULTS

Panel unit root test is a common methodology to test whether the panel data is stationary or non- stationary at level I (0) or I (1). then apply Hausman test and LM test to select the estimate approach from fixed effect model, random effect model, pooled regression model.

4.1 Panel unit root test results

By checking whether there is unit root in panel data, it can check the stability of data to avoid spurious regression, and ensure the validity of estimation. The unit root test results of each variable are Table 2 as follows:

	Level Series		First Difference Series	
Methods	LLC	IPS	LLC	IPS
Ln OFDI	-14.0010***	-4.2484***	-18.0450***	-8.00636***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
VA	-4.06852***	0.37915***	-13.3221***	-5.18993***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
PS	-11.2867***	-3.6337***	-17.7016***	-9.43807***
	(0.0000)	(0.0001)	(0.0000)	(0.0000)
RQ	-1.60504**	1.75529	-17.9684***	-7.88637***
	(0.0542)	(0.9604)	(0.0000)	(0.0000)
BF	-6.71546***	-2.5585***	-14.6251***	-8.00670***
	(0.0000)	(0.0053)	(0.0000)	(0.0000)

IF	-89.3115***	-14.429***	-25.8344***	-8.97128***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
FH	-5.53080***	-1.23647	-26.4414***	-10.8917***
	(0.0000)	(0.1081)	(0.0000)	(0.0000)
RL	-3.25815***	0.26317	-12.8490***	-6.93433***
	(0.0006)	(0.6038)	(0.0000)	(0.0000)
PR	-1.09329	-2.5064***	-3.28394***	-3.17525***
	(0.1371)	(0.0062)	(0.0005)	(0.0007)
Ln GDP	-7.04380***	-3.9738***	-12.7829***	-8.12532***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
LnperGDP	-8.80196***	-4.4405***	-13.1902***	-8.01434***
	(0.0000)	(0.0000)	(0.0000)	(0.0000)

Table 2: Panel unit root test results

Notes:1. The null hypothesis: series has a unit root. 2. *, ** and * are significant at the significance levels of 10% and 5%, 1%, respectively. 3.the values in the parenthese are p-value.**

According to the results of Panel unit root test, except RQ and FH, RL is not significant under IPS test, PR is not significant under LLC, and other variables are significant under LLC and IPS methods. In the case of first-order difference, the P values of LLC and IPS of independent variable and dependent variable are less than 1%, that is to say, the unit root test results of explanatory variable and interpreted variable reject the original hypothesis, that is, both explanatory variable and interpreted variable are stable, so the unit root test can draw the conclusion that both explanatory variable and interpreted variable are I (0), that is, the same order of explanatory variable and interpreted variable Single integer, all variables are stable.

4.2 Panel estimation test

To measure which institutional environment on Chinese OFDI from "OBOR" countries, This paper expands the gravity model and divides the institutional factors into four part: political, economic, legal and cultural systems. It separately analyses the impact of individual institutional factors on the countries along the "OBOR" of China's OFDI stocks under each type of system.

In this study, the variables are estimated by three different types of model to avoid the unobserved individual effect, which are pooled ordinary least square (OLS), fixed effect model (FE) and random effect model (RE).

LR test is used to FE and OLS model. The null hypothesis of the LR test means the efficient estimation model is OLS model. So, if the null hypothesis of LR test is rejected that means FE is more appropriate to estimate. Hausman test is used to select FE and RE. The null hypothesis of Hausman test means random effect is efficient. Thus, if the null hypothesis of Hausman test rejected that means FE model is much better to estimate than RE model.

4.3.1 Model estimation for the host country's political institutional factors

Table 3 Through the estimation results of the following three models, we can know that the LR test expectation value is less than 1%, so reject OLS model is better than fixed, select fixed model, which is significant under Hausman test, indicating that FE model is better than RE model.

In the results of the FE model, VA and LNOFDI have a negative correlation, which is significant at the level of 5%, and the VA coefficient is -0.072347, indicating that each unit of improvement in the host country's master level will reduce China's investment in 0.072347 units, indicating that China's foreign investment tends to be in countries with low democratic level. Voice and Accountability has a negative correlation with the stock of foreign investment, which may be because higher democracy is not conducive to the improvement of policy-making efficiency, thus affecting the stock of foreign investment

PS has a positive correlation with LNOFDI, which is significant at the level of 1%, and PS the coefficient is 0.011836, which indicates that every unit of the stability of the host country's political power increases China's investment in its 0.011836 units, indicating that China's foreign investment tends to be a country with stable political power. RQ has a positive correlation with LNOFDI, which is significant at the level of 5%, indicating that China's foreign investment tends to be a country with regulatory quality.

Variable	OLS	FE	RE
VA	-0.077409***	-0.072347**	-0.046076***
PS	0.013120**	0.011836***	-0.003329
RQ	0.086957***	0.079163**	-0.031130*
LNGDP	1.385547***	1.257221***	1.222471***
LNPERGDP	-1.029802***	-0.916314***	-0.008140
LNDISTANCE	-1.063555***	-1.645787***	-2.459058***
C		7.568484**	9.548092
Observation	370	370	370
R^2	0.693337	0.769500	0.273851
Adjusted R^2	0.689124	0.759733	0.261848
Likelihood Ratio		12.27439***	
Hausman Test			30.460046***

Table 3: The impact of OFDI Stocks on political institutional factors
Notes:1. *, ** and * are significant at the significance levels of 10% and 5%, 1%, respectively.**

4.3.2 Model estimation for the host country's economic institutional factors

Through Table 4, we can know that the LR test expectation value is less than 1%, select fixed model, which is significant under Hausman test, indicating that FE model is better than RE model, so eventually we choose the best model is FE model.

In the results of the FE model, BF and LNOFDI have a positive correlation, which is significant at the level of 1%, and the Business Freedom coefficient is 0.075312, indicating that each unit of improvement in the host country's Business Freedom level will increase China's investment in 0.075312 units, indicating that China's foreign investment tends to be in countries with Business Freedom level. IF is not significant at the level of 10%, indicating that is not correlation between China's foreign investment and investment freedom level of host countries. FH has a positive correlation with LNOFDI, which is significant at the level of 1%, indicating that China's foreign investment tends to be a country with Fiscal Health.

Variable	OLS	FE	RE
BF	0.080471***	0.075312***	0.043665***
IF	0.008197*	0.000434	0.035974***
FH	0.021642***	0.023958***	0.003771
LNGDP	1.487498***	1.421771***	1.596499***
LNPERGDP	-0.940502***	-0.835467***	-0.792121***
LNDISTANCE	-2.156005***	-2.107891***	-2.695748***
C		0.922060	3.050377
Observation	370	370	370
R^2	0.711418	0.767411	0.346662
Adjusted R^2	0.707454	0.757555	0.335863
Likelihood Ratio		9.456082***	
Hausman Test			28.560824***

Table 4: The impact of OFDI Stocks on economic institutional factors
Notes:1. *, ** and * are significant at the significance levels of 10% and 5%, 1%, respectively.**

4.3.3 Model estimation for the host country's legal institutional factors

Through Table 5, we can know that the LR test and Hausman test expectation value is less than 1%, indicating that FE model is better than RE model and OLS model, so eventually we choose the best model is FE model.

In the results of the FE model, RL and LNOFDI have a negative correlation, which is significant at the level of 1%, and the Rule of Law coefficient is -0.056216, indicating that each unit of improvement in the host country's Rule of Law level will reduce China's investment stocks in 0.056216 units, indicating that China's foreign investment tends to be in countries with low Rule of Law level. PR has a negative correlation with LNOFDI, which is significant at the level of 1%, indicating that China's foreign investment tends to be a country with low Property Rights level.

This means that the weaker the protection of property rights and the lower the legal perfection of the host country, the more attracts our country direct investment stocks. It seems that the regression results are not in line with the traditional theoretical expectations, but the research of [10] Kolstad &Wiig (2012) suggests that China's FDI scale has a negative correlation with the institutional quality of the host country. [11] And Jiang Guanhong (2012) thinks that Chinese enterprises "tend" to invest in countries or

regions with high institutional risk through research and analysis of China's investment in developing countries.

It is possible that the more perfect the host country's legal system, and the more perfect the laws and regulations on labor and environmental protection will be, which will increase the cost of foreign investment of Chinese enterprises.

Variable	OLS	FE	RE
RL	-0.044258***	-0.056216***	0.001558
PR	0.023943**	-0.024858**	0.018456**
LNGDP	1.330888***	1.003861***	1.285559***
LNPERGDP	-0.146081	0.170852	-0.195422
LNDISTANCE	-1.477419***	-3.147509***	-2.883041***
C		20.61153***	11.73370
Observation	370	370	370
R^2	0.605870	0.710167	0.239663
Adjusted R^2	0.601551	0.698736	0.229219
Likelihood Ratio		9.260273***	
Hausman Test			30.094612***

Table 5: The impact of OFDI Stocks on legal institutional factors

Notes:1. *, ** and * are significant at the significance levels of 10% and 5%, 1%, respectively.**

4.3.4 Model estimation for the host country's cultural environment factors

Through Table 6, we can know that the LR test and Hausman test expectation value is less than 1%, indicating that FE model is better than RE model and OLS model, so eventually we choose the best model is FE model.

In the results of the FE model, CD and LNOFDI have a negative correlation, which is significant at the level of 5%, and the cultural environment coefficient is -0.140436, indicating that each unit of improvement in the host country's cultural environment level will reduce China's investment stocks in 0.140436 units, indicating that China's foreign investment tends to be in countries with smaller culture distance.

Variable	OLS	FE	RE
CD(Culture)	-0.686059***	-0.140436**	0.075622
LNPERGDP	-0.278330	-0.329847**	1.270041***
LNDISTANCE	2.644049***	-4.687798***	-6.294789***
C		19.92734***	61.74620
Observation	370	370	370
R^2	0.198157	0.447155	0.104052
Adjusted R^2	0.204687	0.428572	0.096708
Likelihood Ratio		5.561311***	
Hausman Test			7.050084***

Table 6: The impact of OFDI Stocks on cultural environment factors

Notes:1. *, ** and * are significant at the significance levels of 10% and 5%, 1%, respectively.**

From table 4.3-4.6 and optimal regression FE model, about control variables, we can see that Market Scale of Host Country (LNGDP) in control variables has passed 1% levels of significance test, and the coefficients are positive. It shows that China has obvious market motivation for direct investment in the "OBOR " countries, and is more willing to invest in larger market places.

Host country's economic environment (LNPERGDP) in the control variable is significant in the regression of political, economic and cultural system model, which shows that the economic environment of the host country will affect foreign investment. Geographical Distance between China and Host Countries (LNDIATANCE) in the control variable passed the significance test of 1% level, and the coefficients were all positive, indicating that China's foreign direct investment is more willing to invest in countries close to each other to save transportation cost and information cost.

V. CONCLUSION

From the empirical results, China's investment stock in the host country is positively related to the economic scale between the two countries, and negatively related to the distance between the two countries, which should prove the correctness of the selection of the gravity model.

1) From the perspective of political system, the better the host country's political stability and necessity of violence, the more perfect the regulatory quality environment (RQ), the less political risk, the stronger the investment will and the greater the investment flow in the process of investment in the host country; however, the lower the level of voice and accountability, the higher the investment efficiency and the greater the investment stock.
2) From the perspective of economic system, the higher the Business Freedom (BF) and Financial freedom (FF) of the host country, the better the Fiscal Health (FH), there has less constraints that China has on the host country's investment process, the stronger its investment willingness and the larger its investment stock.
3) From the perspective of legal system, the lower the degree of Property Rights (PP) and the weaker the ability of property right protection (RL), the stronger the willingness to invest in the host country and the larger the investment stock.
4) In terms of cultural distance, the smaller the cultural gap between China and the host country, there will be more investment stocks.

On the whole, most of the institutional indicators have passed the significance test, which shows that institutional factors are indeed important factors affecting China's foreign investment. Good political and economic factors of the host country can provide a good investment and operation environment for the transnational operation of enterprises, reduce the uncertainty of production and operation activities, and reduce transaction costs. In order to further promote the implementation of the "OBOR" strategy, Chinese enterprises should actively go out. In order to get better investment returns, Chinese enterprises should seek a host country with better institutional factors. On

the other hand, Chinese enterprises should pay attention to the negative impact brought by legal factors.

REFERENCES

[1] Agnès Bénassy-Quéré Maylis Coupet Thierry Mayer. (2005). Institutional Determinants of Foreign Direct Investment. CEPII, Working Paper No 2005-05

[2] Anil Mishra & Kevin Daly. (2007). Effect of quality of institutions on outward foreign direct investment, The Journal of International Trade & Economic Development, Taylor & Francis Journals, vol. 16(2), pages 231-244.

[3] Mohamed Amal, Bruno Thiago Tomio. (2012). Determinants of Brazilian Outward Foreign Direct Investment (OFDI): A Host Country Perspective. XXXVI Encontro do ANPAD Rio de joneiro/RJ-22 a de setembro de 2012

[4] Mohammad Mafizur Rahman. (2006). A Panel Data Analysis of Bangladesh's Trade: The Gravity Model Approach. Discipline of Economics University of Sydney, NSW 2006, Australia.

[5] Shuli Wang and Jiao'ao Xiang. (2013). Institutional Quality, Investment Motivation and Location Choice of Foreign Direct Investment.Journal of Finance and Economics.ISSN: 1001-9952. CN: 31-1012/F. YP: 1956.

[6] Man-Yu HUAN. (2016). Analysis of the Impact of Psychic Distance on the Regional Selection of Chinese Outward Foreign Direct Investment. 2nd Annual International Conference on Social Science and Contemporary Humanity Development (SSCHD 2016)

[7] Vikrant Shirodkar Palitha Konara. (2017). Institutional Distance and Foreign Subsidiary Performance in Emerging Markets: Moderating Effects of Ownership Strategy and Host-Country Experience Management International Review. April 2017, Volume 57, Issue 2, pp 179–207

[8] Chali Nondo. (2016). Does institutional quality matter in foreign direct investment?: Evidence from Sub-Saharan African countries. African J. Economic and Sustainable Development, Vol. 5, No. 1, 2016

[9] Anderson J. E. (1979). A Theoretical Foundation for the Gravity Equation [J]. American Economic Review, 1979, (69): 106-116.

[10] Kolstad, I. and Wiig, A. What Determines Chinese Outward FDI?[J]. Journal of World Business, 2012, 47:26-34.

[11] Jiang Guanhong (2012)Is the host country system important for China's investment in developing countries?[J].managing the world, 2012, 11:45-56.

★★★