Journal of Management Info

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Research Article

The impact factors of China's outward foreign direct investment in Singapore

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Submitted: 27 September 2022 *Revised: 30 November 2022* *Accepted: 12 December2022*

ABSTRACT

The sudden outbreak of COVID-19 pandemic led to a global recession, but China's OFDI remained on a steady rise, attracting global attention. By the end of 2020, Singapore was the second most developed country after the US in terms of receiving outward foreign direct investment (OFDI) flows from China. The investment cooperation between China and Singapore played an important role in promoting the high-quality development of the Belt and Road Initiative and enhancing the economic cooperation between China and ASEAN after the COVID-19 pandemic. This study delves into the influencing factors of Chinese OFDI to Singapore: home country institutions, host country institutions, and investment motives. This study takes Singapore as the research object and uses the data of China's OFDI to Singapore from 2001 to 2020 to conduct an empirical analysis through a modified regression model to analyze the development of China's OFDI to Singapore, so as to make contributions to: (1) providing empirical evidence for studying OFDI from developing to developed countries; (2) providing reference for investment cooperation in the post COVID period between China and Singapore.

Keywords: *China's OFDI; Influencing Factors; Singapore; Post COVID Period*

1. INTRODUCTION

In December 1978, Chinese government put forward the policy of Economic Reform and Open-up and Chinese enterprises began to explore going abroad. However, the scale of China's FDI was limited and there are few enterprises involved. Until entering the 21st century, Chinese government has proposed the strategy of "Going out" and China's accession to the WTO in 2002, the pace of China's FDI has obviously accelerated. In September 2013, China's president Xi Jinping projected the Belt and Road Initiative (BRI) and China's FDI has entered a new stage. By 2020, China's OFDI flow ranked first in the world and the stock ranked the third place (Ministry of Commerce [PRC], 2020). Since the establishment of diplomatic relations in 1990, China and Singapore have maintained a long-standing partnership and close cooperation (Zhao, 2021). Singapore has been China's core trading partner in ASEAN for many years, and both sides have become the most important foreign investors (Zhao, 2020). Over the past 20 years, China's OFDI to Singapore has grown steadily and rapidly (See Fig. 1.).

https://doi.org/10.31580/jmi.v9i3.2724

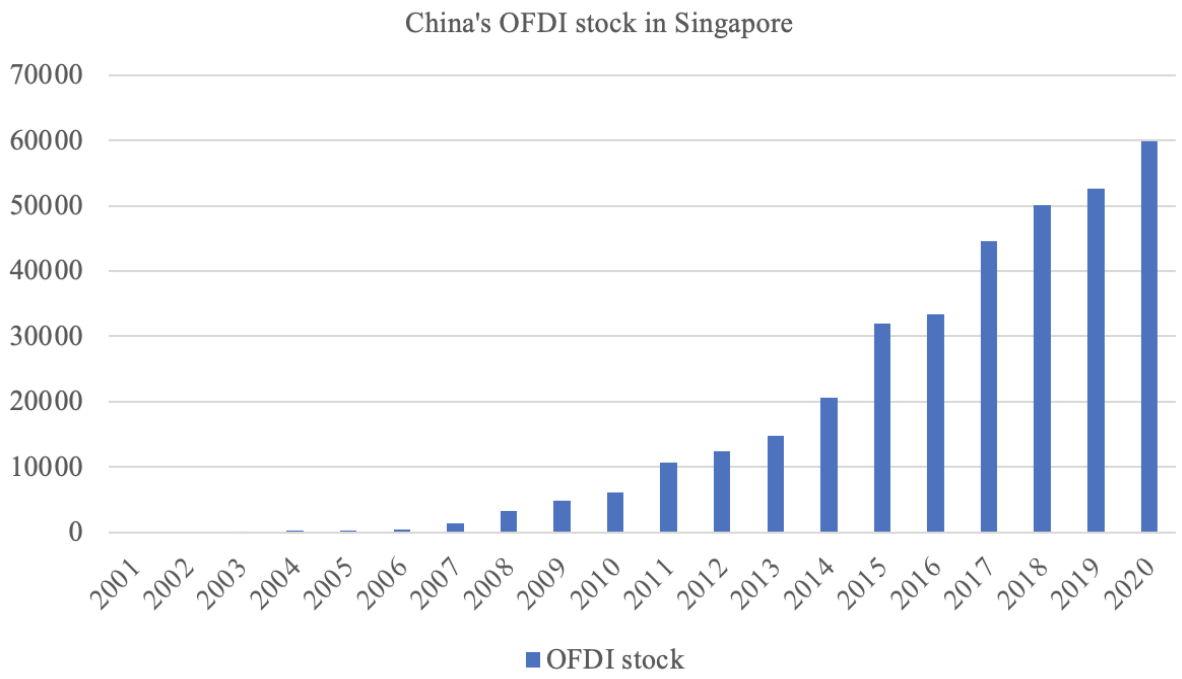

Fig. 1. China's OFDI stock in Singapore

Source: Ministry of Commerce, PRC (2003-2020)

What draws Chinese OFDI to Singapore? The first Asian nation to sign a free trade deal with China was Singapore (Zhao, 2021). Singapore jumped on board with the Belt and Road initiative as soon as it was announced in 2013 and has since been an active member (Lee & Li, 2019). Singapore was the most developed nation in Southeast Asia, a newly industrialized nation, and part of the "21st Century Maritime Silk Road", which was vital to the economic growth of the entire Asia-Pacific region (Qian, 2018). According to data from the Chinese Ministry of Commerce, Singapore received over a third of China's outbound investment from nations along the Belt and Road (Ministry of Commerce [PRC], 2020). Second, Singapore's institutional advantages were the effective national government institutions and solid business credit (Zhao & Xu, 2020). Singapore was renowned for having honest business dealings and stable governance as one of the economic hubs of Southeast Asia and even the entire world (Zhao, 2021). The execution of the Belt and Road initiative has received strong support from Singapore's banks and financial institutions (Zhao, 2020; Zhao & Xu, 2020). Singapore has strict regulations in terms of state governance, and the government regulated social and economic activities through the enactment of relevant laws, providing a sound and stable institutional environment for Chinese OFDI firms to reduce investment costs and risks (Qi & Zou, 2013; Tu, 2021). Third, the decades of experience of Singaporean companies operating in Southeast and South Asia allowed Singapore to serve as a springboard for China to third-party markets in Southeast and South Asia (Li & Zhao, 2017; Zhao, 2021). Many Chinese enterprises, especially Chinese financial institutions, have used Singapore as their headquarters to explore Southeast Asian markets, and these investments have helped Singapore maintain its position as a business and financial center in Southeast Asia (Liang & Hao, 2022). However, Singapore, limited by its confined land area and relatively poor natural energy resources, does not fit China's long-standing investment

motives of seeking resources and markets (Ge, 2019). China's economic development has shifted its focus from traditional manufacturing, where low labor costs were a competitive advantage, to a new economy based on technological innovation (Huang et al., 2022). Investment cooperation between China and Singapore was further centered on technological innovation cooperation and strengthening the dovetailing and integration of the two countries' development strategies (Li & Zhao, 2017). The COVID-19 pandemic that swept the world in 2020 has depressed global trade and investment, limiting the development space for foreign investment of all countries (Wu & Qi, 2021). China's OFDI in Singapore continued to show resilience and dynamism, with Chinese OFDI to Singapore increasing by 22.75% in 2020 compared to the previous year (Ministry of Commerce [PRC], 2020). Therefore, a thorough investigation should be done to determine why China generates such a high quantity of OFDI for Singapore. In order to serve as a useful guide for Chinese businesses looking to invest in similar nations in the future, this paper conducts empirical research to investigate the specific circumstances surrounding China's OFDI to Singapore from the perspectives of institutions and investment motives.

2. LITERATURE REVIEW

Starting with the fundamental principle of OFDI, this study integrates the elements that have an impact on China's OFDI in Singapore and undertake a literature review.

2.1. OLI Paradigm

Dunning's OLI paradigm remained one of the most prevalent frameworks in FDI research in several investigations on OFDI theories (Paul & Feliciano-Cestero, 2021; Zhu et al, 2021). The earlier OLI paradigm integrated monopoly advantage into the internalization theory framework and introduced the concept of location advantage, attempting to integrate the research methods of industrial organization theory, internalization theory and location theory to establish a comprehensive analysis paradigm of MNCs' direct investment (Lin, 2007). OLI respectively refers to ownership, location and internalization. Ownership advantages indicated to the unique intangible assets of a country's enterprises, economies of scale, etc. (Jiang & Peng, 2021). Internalization theory is a synthesis of the definition of internalization theory by Hymer, Buckley and Casson et al. Internalized advantage indicated that the enterprises kept their advantages inside the enterprise in order to avoid external market defects (Yang & Tang, 2004). One of the most crucial components of economic spatial qualities is location (Wu, 1997). By understanding the laws governing host country's resources and resource allocation, the investment location theory aimed to assist MNEs in maximizing investment returns (Wu, 1997). In terms of the investment climate, economic system, and policies, the host country had an advantage over the home country (Dunning, 1981). Dunning contends that having access to all three advantages of OLI simultaneously enables businesses to engage in cross-border investment activity. Dunning (1993) developed the idea of "creative assets" (sometimes referred to as strategic assets) in 1993 and categorized the reasons why multinational corporations invest overseas into four categories: market, efficiency, resource, and strategic asset-seeking. From the standpoint of investment motivations, it was a highly efficient technique to assess the crucial elements

that host nations use to draw FDI from home countries. (Hu & Li, 2008). Investment motive played a decisive role in OFDI location choice (Hu & Li, 2008; Shao et al, 2020; Wen & Yang, 2021). While analyzing investment motives, existing literature have found that the impact of investment motives on location choice needed to incorporate institutional factors (Hu & Li, 2008). Dunning (2006) further argued that location-based institutional framework should be an important dimension in the study of OFDI motives. Subsequently, Dunning and Lundan (2008) incorporated institution into the renewed OLI paradigm. Extending the OLI paradigm, institution provided a particular way for researchers to understand the distinctive characteristics of MNEs (Dunning & Lundan, 2008).

However, the OLI paradigm had many deficiencies in explaining OFDI in developing countries or emerging markets (Narula & Santangelo, 2012; Jin et al, 2017; Li et al, 2017; Paul & Feliciano-Cestero, 2021). First, many developing countries or emerging economies did not have the ownership advantages (Narula & Santangelo, 2012; Chai, 2013; Xue & Shuai, 2019). The practice of OFDI in emerging economies demonstrated that having an edge in ownership was not a requirement for OFDI (Kang, 2018). Emerging economies' enterprises entered overseas markets to acquire strategic resources like technology, brand, and management when they lacked substantial competitive advantages, especially in developed economies with high technological endowments (Luo & Tung, 2007). Therefore, the traditional international production trade-off theory cannot fully explain the outward investment behavior of developing country TNCs that do not have ownership advantages (Feng & Xin, 2015). Second, the OLI paradigm overlooked some of the effects of the home country on OFDI in favor of analyzing the host nation. Due to the effect of diverse causes in the home country, OFDI enterprises with a variety of investment motives were developed. These motives were indirectly reflected in the locational decision of OFDI (Liu et al, 2016). The home country government had a considerable impact on the internationalization of businesses in the institutional field as a decision-maker and participant (Yan et al., 2022). Especially in emerging economies, government support was one of the important sources of advantages for enterprises' internationalization (Gaur et al, 2018). Based on the limitations of the OLI paradigm, scholars argue the need to rethink the OLI paradigm when analyzing developing countries or emerging markets (Paul & Feliciano-Cestero, 2021). Meanwhile, China, a fellow developing country and emerging market, was an excellent case study rarely encountered in the study of OFDI and China had many characteristics that other countries do not have (Buckley et al. 2010).

2.2. Investment Motives of China's OFDI in Singapore

Most studies on the factors influencing China's OFDI have focused on analyzing the effects of natural resources, market size and strategic assets. As for the investment goals of Chinese OFDI, it has been stated in the literature that these goals were primarily resource, market, and asset-related (Cai, 1999; Salidjanova, 2011).

According to the UNCTAD survey, countries were increasingly competing in energy-rich regions due to rising prices in international energy markets. This situation led 40% of Chinese multinationals to seek natural resources as a motive for OFDI (Hu & Li, 2008). This made MNEs with a strong demand for natural resources focus mainly on the accessibility

of resource endowments in their location choices, while easily ignoring other location factors. This led to a large amount of Chinese investment going to less developed countries with poor location advantages (Hu & Li, 2008). Moreover, UNCTAD's survey showed that Chinese multinationals had a strong preference for strategic assets. Haier, TCL and Lenovo were typical examples of this motives due to their large acquisitions of overseas companies. The motives to seek strategic assets was mainly to acquire higher research and innovation capabilities in order to improve productivity and competitive power, so the strategic asset-seeking motives derived direct investment to countries with strong R&D capabilities (Hu & Li, 2008).

Due to its limited land area and relatively poor natural resources, Singapore's development relied mainly on the external economy, and its long-term development has made it a world economic powerhouse, with tertiary industries such as the financial sector as its main development direction (Yue, 2021). Chinese OFDI to Singapore was mainly technology oriented (Li & Liu, 2017). Li (2019) analyzed market-oriented Chinese firms are more interested in Singapore with higher level of consumption and strong consumption power.

Thus, this study hypothesizes that:

H1a: Strategic asset-seeking motive positively affects Chinese OFDI in Singapore.

H1b: Market-seeking motive positively affects Chinese OFDI in Singapore.

H1c: Resource-seeking motive negatively affects Chinese OFDI in Singapore.

2.3. Institutional Theory

In recent years, institutional factors are one of the focuses of many scholars in the study of OFDI activities. On the definition and composition of institutions, there are mainly economic perspectives represented by North and sociological perspectives represented by Scott. North (1990) described "institutions" as institutions were the "rules of a society's game". Institutions thus constructed an incentive mechanism in political, social or economic exchanges. Scott (2013) divided institutions into three dimensions: regulation, norm and cognition. Regulation referred to the laws, rules and sanctions that compulsively constrain individual behavior. Norm referred to the values, ideologies and social customs recognized externally. Cognition referred to the belief and logic inherited within the organization. Regulation belonged to formal constraint while norm and cognition belonged to informal constraints. Dunning (2006) then made an attempt to incorporate national institutions into the OLI framework in order to examine how institutional variables affected MNE's OFDI from developing and transitional economies.

Institutional construction was the key to the rapid development of many emerging economies, and governments were sparing no effort to reduce bureaucracy and rent-seeking corruption, and vigorously improved the quality of national institutions (Yan & Hu, 2016). Therefore, studies on OFDI mainly focus on formal institutions. North (1990) provided a precise definition of formal institutions:

"Formal rules include political (and judicial) rules, economic rules, and contracts."

New institutional economics referred to formal institutions as “hard institutions”. It included political institution and economic institution. The interpretation of the new institutional economics was that the political institution determined and guaranteed the implementation of the economic institution. The structure of economic interests determined by the economic institution would also affect the political institution (Lu & Zhu, 2011). The coordinated development of political institution and economic institution also reflected the organic combination of government management and service functions and market economy (Wang et al, 2018).

To counteract the effects of political, economic, cultural, and other differences, it should be highlighted that MNEs spent a lot on investments abroad in order to adapt to the foreign environment (Hymer 1960; Zaheer 1995; Huang & You, 2010; Xue & Shuai, 2019). The home country’s financial promotion policies formulated by the government provided capital advantages for the investment enterprises, so as to make up for the disadvantage of the domestic enterprises in the international competition (Kang, 2018). In emerging markets in particular, access to capital from the more financially developed home country helps domestic companies overcome financial constraints in host markets (Chen et al, 2019). Existing institutional analysis databases, such as WGI, ICRG, integrate legal variables to the political institution. Therefore, this study evaluates the institutions of the home country and the host country from the perspectives of the political institution and the economic institution, based on North’s formal institutional definition.

2.3.1. Host Country Institution and China’s OFDI in Singapore

Previous studies have shown that when paired with the institutional environment of the host country, China’s OFDI typically occurred in countries and regions with poor institutional environment. Yang et al. (2016) examined the relationship between the institutional risk of host nations and the spatial distribution of China’s OFDI and discovered that countries with plentiful natural resources were more likely to host China’s OFDI than those with low-quality institutions.

Yet other studies have argued that Chinese OFDI preferred countries and regions with poor institutional environments and higher political risks (Cheung & Qian, 2009; Buckley et al., 2010). According to Qiu and Yang (2015), businesses under various ownership have varying preferences for location. State-owned businesses tended to choose nations (regions) with plenty of natural resources but high political risk, whereas private businesses preferred nations (regions) with lots of strategic assets, a sizable market, and low political risk. (Qiu & Yang, 2015). Ji (2014) argued that institutional factors in developed countries had a positive impact on Chinese OFDI, while institutional factors in developing countries had a negative impact. Similar conclusions were obtained by Wang (2018). Li and Pi (2019) distinguished Chinese OFDI into two categories: reverse and forward and argue that forward investment had strong institutional and resource-seeking motives, and institutional risk was an important constraint on forward investment and thus needed to be carefully avoided.

China is the greatest commercial partner, source of imports, and exports for Singapore and the two nations are significant investment destinations for one another (Ministry of Commerce [PRC], 2020). Singapore’s economy is very strong. Per capita income has been

growing steadily. At the same time, political and social levels are also improving (Sun & Li, 2020). The Singapore government is market-oriented, but it is also well known for its strong economic intervention (Lan, 2000). Singapore owes its success to aggressive, extensive and purposeful government intervention before the 1980s (Drysdale, 2008). However, the excessive regulation of the Singapore government led to high corporate tax rate, rising legal fees and high provident fund contribution rate, which made Singapore enter a brief recession period in the first half of the 1980s (Li & Zhao, 2017). In response to the economic downturn, the Government has taken a number of corrective measures. Over the past four decades, economic intervention in Singapore has shifted from the implementation of direct to indirect instruments (Lan, 2000). Since then, Singapore has pursued free-market policies and avoided government intervention in the economy. The relatively stable political climate and well-developed legal system in Singapore provided a stable institutional environment for foreign investment enterprises (Yue, 2021).

In economic perspectives, Singapore, as a developed country, was highly attractive to Chinese capital due to its developed market economic system, relaxed and open business environment, transparent business operation and perfect market services (Wang & Cheng, 2020). In terms of money and credit, Singapore had long implemented loose monetary policy, but in fiscal revenue and expenditure, Singapore had also implemented prudent fiscal policy. In national debt situation, Singapore had advantages such as a high degree of economic openness, strong external liquidity and repayment ability, and less risk of debt default (Macro research team of China Minsheng Bank Research Institute, 2018). Moreover, as one of the financial hubs in Asia, investors in Singapore not only had easy access to bank loans, but also enjoyed lower start-up costs and favorable tax rates (Li, 2019). However, due to the lack of natural resources, Singapore had to import a significant amount of its industrial raw materials as well as some of its water and gas resources, which had a crucial impact on the operation of connected businesses. Second, Singapore has expensive labor costs and very tight legal requirements (Macro research team of China Minsheng Bank Research Institute, 2018). These factors may affect China's OFDI to Singapore to a certain extent. Even so, Singapore's combined strengths could make up for its shortcomings (Li, 2019). Thus, this study hypothesizes that:

H2a: the host country's economic institution quality positively affects China's OFDI in Singapore.

H2b: the host country's financial institution quality positively affects China's OFDI in Singapore.

H2c: the host country's political institution quality positively affects China's OFDI in Singapore.

There were different explanations in the existing literature for the phenomenon that Chinese OFDI tends to favor locations with poorer institutional quality. First, Chinese firms need to balance both national interests and corporate gains when conducting OFDI (Feng & Zhang, 2015; Qiu & Yang, 2015). Second, Chinese enterprises were influenced by home country's institutional constrain and were better at dealing with the complex institutional issues arising from host countries with poor institutional environments, and therefore

invest in regions with poorer institutional quality (Kolstad & Wiig, 2012). Thus, it is clear that the analysis of the influencing factors of OFDI needs to incorporate the analysis of the impact of the home country institution in addition to the interaction of the host country institution and investment motives.

2.3.2. Home Country Institution and China's OFDI in Singapore

Home country institutions in emerging economies impacted enterprises' willingness to invest in international markets (Lv & Liu, 2021). The institutional environment faced by MNEs in developed countries differed greatly from that in the home countries of those operating in emerging markets. (Child and Rodrigues, 2005; Peng et al., 2008; Meyer et al., 2009). According to the existing research, OFDI was either supported or constrained by the institutional environment of the home country (Buitrago & Barbosa Camargo, 2020; Yan et al, 2022). Many enterprises in emerging economies did not have strong ownership advantage, such as advanced technologies (Guillén & García-Canal, 2009), yet they actively developed OFDI under the effect of economic policies formulated by their home country government (Wang et al., 2012; Liang et al., 2015; Yan et al, 2022). The primary strategies used by governments to promote OFDI included fiscal incentives, helping domestic businesses expand abroad through government agencies, signing double taxation avoidance agreements, creating bilateral agreements to safeguard foreign investments, organizing bilateral or multilateral dialogues to remove investment barriers, and assisting MNEs in dealing with host governments or legal authorities (Luo et al., 2010). Thus, directly relevant, continuous, stable and effective government policies largely stimulate OFDI (Buckley et al, 2010).

In emerging markets, the institutional environment is plagued by flawed property rights protection systems, inadequate legal and judicial regulatory capacity, unpredictable political developments, and inefficient government institutions (Buitrago & Barbosa Camargo, 2020). This type of disadvantage was mainly caused by institutional constraints arising from the lack of management capacity of the home government (Yang & Liu, 2020). The existing research indicated that MNEs' international expansion was facilitated by weak institutions (Witt & Lewin, 2007). Home country's Institutional weaknesses, such as government corruption, protectionism and coercive pressures, could lead to "escape effects" in which enterprises in developing countries or emerging economies fled their home country to do business overseas (Cuervo-Cazurra et al., 2015; Lee et al., 2015; Stoian & Mohr, 2016; Krammer et al., 2018).

Compared to other countries, the Chinese government had a stronger macroeconomic control over OFDI and a stronger administrative implementation of central policies. In this context, home country institutional factors were particularly important (Feng & Xin, 2015). There is evidence that one of the crucial elements that contributed to the quick development of OFDI in China was the institutional impact of the home country (Ji & Ge, 2015). The effectiveness of the Chinese government's intervention might be demonstrated by an examination of China's OFDI during the previous 20 years. China has evolved from being one of the major foreign investment destinations to the world's most significant OFDI entities in the early 21st century (Luo & Tung, 2018). The Chinese central government

introduced the “Going Out” in 2000 and proclaimed OFDI as the main objective of national development. China officially joined the World Trade Organization (WTO) in 2001, demonstrating its commitment to advancing globalization (Deng, 2013). China’s OFDI started a phase of rapid expansion when the Belt and Road Initiative was announced in 2013 (Zhu et al, 2021). The relevant policies of the Chinese government had not only contributed in stages to the development of Chinese OFDI from its inception to rapid development to high quality development but have also influenced the investment direction of Chinese OFDI (Wang & Yang, 2020; Lv & Liu, 2021). The impact of government policy changes on OFDI belonged to the impact of institutional factors on enterprises’ investment behavior (Lv & Liu, 2021). In addition, in the interpretation of the political institution of the home country, the most discussed in the existing literature was the Chinese government’s financing support for OFDI enterprises (Zhou, 2014; Feng & Xin, 2015). It reflects the MNEs’ ability of financing capital. The OFDI behavior cannot be supported by capital, so the cost of capital is crucial for OFDI decisions (Feng & Xin, 2015). Yan et al (2009) argued that MNEs with stronger financing capacity were willing to pay a higher risk premium in OFDI and therefore had the opportunity to earn higher returns. Main source of overseas subsidiaries’ funds was from the parent company to support the operational development. Thus, the more abundant and stronger the parent company’s capital, or the stronger the financing capacity in the home country, the more favorable the international development of its overseas subsidiaries (Desai et al. 2004). MNEs compensate or substitute for external risks and uncertainties through adequate funds. In terms of complementing the resources and capabilities of enterprises, China’s institutional and financial support has reduced the cost of OFDI and enriched the access to capital for Chinese enterprises (Xue & Shuai, 2019).

As mentioned earlier, many developing countries and emerging markets do not have all the power and influence. So, Chinese companies was difficult to overcome the ‘liability of foreignness’ with their own strength in the short term (Peng et al., 2008). However, the Chinese government’ policy guidance and support created a favorable international and domestic environment for enterprises, which also compensated to a certain extent for the lack of ownership advantages of enterprises and accelerated the formation of international competitiveness of Chinese enterprises. Therefore, the home country-specific advantages possessed by Chinese enterprises constitute the competitive advantage of OFDI for Chinese enterprises, and to a certain extent replace the missing ownership advantage of Chinese enterprises. Therefore, the home country-specific advantages constitute a competitive advantage for Chinese enterprises in OFDI, replacing to some extent the missing ownership advantage of Chinese enterprises (Pei & Fan, 2010).

Thus, combining with the institutional situation in China, this study hypothesizes that:

H3a: the home country’s institution economic quality positively affects China’s OFDI in Singapore.

H3a: the home country’s institution financial quality positively affects China’s OFDI in Singapore.

H3a: the home country's institution political quality positively affects China's OFDI in Singapore.

3. METHODOLOGY

3.1. Dependent Variables

This study tests the hypotheses using data on Chinese OFDI to Singapore between 2001 and 2020. The National Bureau of Statistics and State Administration of Foreign Exchange produced the Statistical Bulletin of China's Outward FDI, which provided data on China's flows of OFDI.

3.2. Independent Variables

3.2.1. Home country and host country Institutions

Data for the institution quality of home country and host country are derived from the International Country Risk Guide (ICRG). According to the official website, The ICRG is the world's most authoritative geopolitical risk rating and forecasting system. It is used by many large institutional investors, multinational corporations, government agencies in some countries and sovereign wealth funds. ICRG database indicators were widely used and generally applied to study the quality of institution (Yu & Fan, 2018).

3.2.2. Investment motives

According to the literature analysis, China's investment motives include markets, resources, and strategic assets. This study chooses Singapore's GDP as a stand-in for host country market size based on earlier studies. The total of Singapore's exports of metals, ores, and fuel as a percentage of its merchandise exports was used to calculate the country's natural resource endowment (Ren and Yang, 2016). The proportion of high technology exports to total exports served as a proxy for strategic asset intensity. Data are retrieved from the World Bank's World Development Indicators (WDI) database.

4. RESULTS AND FINDINGS

4.1. Variable Description and Data Source

Table 1. Variable description and data source

Variables		Variable Description	Variables Identify	Data Source
DV	China's OFDI Flows in Singapore	China's OFDI Flows in Singapore from 2001-2020	OFDI	Ministry of Commerce, China; World Investment Report (UNCTAD)
IVs	home country institution quality	composite home country institution quality	CComposite	The International Country Risk Guide (ICRG)
	home country economic institution	China's economic institution quality	CEconomic	
	home country financial institution	China's financial institution quality	CFinancial	

Variables	Variable Description	Variables Identify	Data Source
home country political institution	China's political institution quality	CPolitical	
host country institution	composite host country institution quality	SComposite	
host country economic institution	Singapore's economic institution quality	SEconomic	
host country financial institution	Singapore's financial institution quality	SFinancial	
host country political institution	Singapore's political institution quality	SPolitical	
marketing-seeking motive	Singapore's per capita GDP of host country (log) from 2001-2020	Market	the World Development Indicators
resource-seeking motive	Singapore's ores and metals exports (% of manufactured exports) from 2001-2020	Resource	
strategy assets-seeking motive	Singapore's high technology exports (% of manufactured exports) from 2001-2020	Strategy	

For the collated data, the following model was used for regression analysis:

$$OFDI_t = \beta_0 + \beta_1 CComposite_t + \beta_2 CEconomic_t + \beta_3 CFinancial_t + \beta_4 CPolitical_t + \beta_5 SComposite_t + \beta_6 SEconomic_t + \beta_7 SFinancial_t + \beta_8 SPolitical_t + \beta_9 Market_t + \beta_{10} \mathrm{Resource}_t + \beta_{11} Strategy_t + \varepsilon_t$$

In the above model, t denotes the year; β_0 represents the intercept term, β_i denotes the regression coefficient of the explanatory variables; and ε_t denotes the residual term.

4.2. A Preliminary Descriptive Analysis

The sample size, mean value, standard deviation, minimum, median, and maximum values of each variable are all described in detail in this section to gain a preliminary understanding of their characteristics.

Table 2. Descriptive statistics of main variables

Variables Identify	N	MEAN	SD	MIN	P50	MAX
OFDI	14	3658.5686	2803.8106	397.7300	2992.7450	10452.4805
CComposite	14	74.3423	2.6963	71.2292	73.6563	79.3750
CEconomic	14	40.1429	1.1155	37.1250	40.1667	41.7083
CFinancial	14	47.2917	0.7170	45.8750	47.5000	48.0000
CPolitical	14	61.2500	4.3907	55.0000	60.3750	69.1250
SComposite	14	85.9918	1.5377	82.5313	86.2500	88.0000
SEconomic	14	44.1801	2.7437	38.6667	45.1875	47.0000
SFinancial	14	45.1503	0.5984	44.0417	45.3542	45.8750
SPolitical	14	82.6533	1.4649	80.4375	82.6667	84.5000
Market	14	53354.1828	6052.8695	43332.6641	53991.4355	61373.6484
Resource	14	1.1171	0.2467	0.7157	1.1661	1.6746
Strategy	14	51.2719	2.0697	47.7222	51.6858	55.4521

The descriptive statistical results demonstrate that each variable's statistical characteristics fall within a reasonable range.

4.3. Correlation Analysis

The sample data utilized in this study were found to be, to a certain extent, accurate and reasonable after being submitted to descriptive statistical analysis in the section previously. The correlation analysis was then used to find the initial level of correlation between the variables. The Pearson coefficient and the Spearman coefficient were used to examine the correlation between each variable in this section. Table 3 (See Appendix A) presents the test findings, with the results of the Pearson correlation coefficient in the lower left corner and the results of the Spearman correlation coefficient in the upper right.

4.4. Regression Results

Table 4. Regression analysis and hypothesis testing

Variables Identify	**(1)**
	OFDI
CComposite	0.0000
	(.)
CEconomic	809.8518*
	(2.42)
CFinancial	2180.3029***
	(5.27)
CPolitical	107.8553
	(1.46)
SComposite	0.0000
	(.)
SEconomic	121.2002**
	(0.81)
SFinancial	6009.0120***
	(7.41)
SPolitical	1431.8009**
	(2.74)
Market	0.6397**
	(4.54)
Resource	-4203.0070*
	(-1.77)
Strategy	643.7404**
	(2.68)
_cons	296338.9917***
	(4.76)
N	14
R^2	0.963
adj. R^2	0.890
F	101.7914***

Note: imply significant at the 10%, 5%, and 1% significance levels, respectively (two- sided test).

It can be seen that the coefficients of home country's composite institution quality and host country's composite institution quality cannot be obtained by regression due to the problem of multicollinearity from the regression results in the above table. In the analysis of institutional impacts, it is necessary to regression through the three aspects of economy, finance and politics.

China's OFDI is positively impacted by home country's economic institution, and this impact becomes considerable at a 10% level. Compared with developed countries, developing or emerging economies were in a weak position in the international market (Ramachandran & Pant, 2010； Madhok & Keyhani, 2012; Yang & Liu, 2020). The Chinese government's economic institutions and policies related to OFDI were designed to minimize the potential disadvantages of being a late entrant or latecomer, thereby increasing the success rate of OFDI projects (Ramachandran & Pant, 2010; Yan et al., 2022). China's OFDI is positively impacted by home country's financial institution, and this influence is substantial at the 1% level. The Chinese government provides support to enterprises in terms of foreign exchange, loans, insurance, and special funds. The government has gradually relaxed foreign exchange controls to improve the internationalization of the RMB; domestic banks have provided low-interest or interest-free loans to OFDI enterprises and established overseas branches to better serve Chinese enterprises' overseas operations; Chinese policy financial institutions have provided special loans and political risk insurance to enterprises (Xue & Shuai, 2019). Besides, China's OFDI is positively impacted by home country's political institution, although this impact is not immediately apparent. As a result, China's financial and economic institutions have favorable impacts on OFDI from China to Singapore, although the influence of political institutions is minimal.

In terms of the host country institution, China's OFDI is influenced favorably by host country's financial institution and this effect is substantial at the 1% level. China's OFDI is positively impacted by host country's political institution, and this impact is significant at the 5% level. Singapore, as the financial center of Southeast Asia and even the whole Asia-Pacific region, provided Chinese enterprises with perfect financial services (Li & Zhao, 2017). In addition, the advanced management experience of Singaporean financial firms was also the target of OFDI for Chinese financial OFDI firms (Zhao, 2020). So, there is also a more significant impact on the strategic asset motive of China's OFDI. Tai & Li (2018) assessed the risk of Chinese investments in ASEAN countries and found that China collected the largest number of investment cases in Singapore, but the lowest number of failed investments in Singapore. This was due to the stable and efficient political environment created by Singapore's political institution (Zhao, 2021). The risk of investing in Singapore was relatively low (Tai & Li, 2018).

Additionally, market-seeking motive has a favorable effect on OFDI, and this effect is notable at the 5% level. Resource seeking motive has a detrimental effect on OFDI, and the effect becomes noticeable at a 10% level. OFDI is positively impacted by strategy asset, and this influence is substantial at a 5% level. It can be seen that the market and strategic assets

of Singapore are more attractive to China's OFDI, while due to the relative lack of natural resources in Singapore, the impact of resource motive is weak.

5. CONCLUSION

This study investigates the factors influencing China's OFDI to Singapore based on Chinese direct investment data from 2001 to 2020. First, China's OFDI has increased significantly because of the strengthening of the economic power. This is inextricably linked to the institution in the home country's support. The economic development and economic strength of the home country were the core driving force of OFDI (You & Wang, 2019). Second, China's financial support has provided richer financial support for Chinese enterprises (Xue & Shuai, 2019). In addition, China's political institution insignificantly impacted OFDI to Singapore. Thus, it is clear that China's OFDI to Singapore is mostly economically oriented. Secondly, the political environment and financial support provided the ability of Singapore to draw China's OFDI, and Singapore has one of the best business environments in Southeast Asia and the world (Li, 2019). According to the empirical findings, Singapore's political institution and financial backing both significantly boost Chinese OFDI. This is consistent with Singapore's status as the region's financial hub. In addition, Singapore's high-end consumer market and technological advantages are the key factors luring Chinese OFDI (Li, 2019; Liu, 2022), as well as the main incentive for Chinese OFDI to Singapore, due to the policy need of the home nation to pursue high-quality OFDI development.

Moreover, China and Singapore have a bright future for investment cooperation (Liu, 2022). The Belt and Road Initiative's implementation and the establishment of the China-ASEAN Free Trade Area have both made it easier for Chinese investors to do business in ASEAN and have also boosted investments between China and Singapore (Yue, 2021). Besides, the Regional Comprehensive Economic Partnership (RCEP), which was signed in November 2020, officially established the largest free trade agreement in the world. The scale of trade and investment with ASEAN will be further increased (Fei, 2021). And Singapore plays a crucial role as a regional gateway and trade base in China's economic engagement with ASEAN (Li, 2019). Therefore, this study has practical implications for China's OFDI. The micro level can adjust the investment risk preferences of Chinese enterprises and help Chinese enterprises develop in a long and stable way. The macro level can provide reference suggestions for the Chinese government to continue to facilitate the Belt and Road and fast integration into RCEP.

The COVID-19 pandemic is a common challenge for the international community in 2020, and the resulting global public health crisis and the combined impact of the epidemic on global trade, industrial chains and supply chains are the focus of cooperation and exchange between China and Singapore at this stage. The world economy in the post-COVID-19 era has highlighted the fragility of the global industrial chain, and economic recovery is an arduous task (Hu & Long, 2021). The cooperation between China and Singapore contributed to the re-connection of industrial chains in international markets from regional cooperation, provided financial support for the resumption of production in countries affected by the pandemic, and tried to keep the stable operation of global industrial chains

(Lu & Wang, 2020; Zhao, 2021). The development and implications of the investment partnership between China and Singapore have implications for the development of China's relationship with Singapore and even ASEAN, as well as the alignment of the Belt and Road Initiative with Southeast Asia. The global public health crisis caused by the pandemic and its combined impact on global trade, industrial chains and supply chains are the focus of cooperation and exchanges between China and Singapore at this stage. After that, the epidemic highlights the vulnerability of highly globalized industrial chains, and trade recovery is an arduous task. Cooperation between China and Singapore can proceed from regional cooperation, contribute to the reconnection of international market industrial chains, and provide financial support for the resumption of work and production in affected countries. China and Singapore committed to ensuring the success of the global fight against COVID-19 and the stable operation of the global industrial chain (Lu & Wang, 2020; Zhao, 2021). The post pandemic development of the investment cooperation has enlightenment significance for the long-term healthy and stable development of China and Singapore and even China and ASEAN.

Author Contributions:

Conceptualization, Xue Ye and Mohd Sobri Don; methodology, Xue Ye and Mohd Sobri Don ; software, Xue Ye; validation, Xue Ye; formal analysis, Xue Ye; investigation, Xue Ye; resources, Xue Ye and Mohd Sobri Don; data curation, Xue Ye; writing—original draft preparation, Xue Ye; writing—review and editing, Xue Ye and Mohd Sobri Don; visualization, Xue Ye; supervision, Mohd Sobri Don; project administration, Xue Ye; funding acquisition, Xue Ye. All authors have read and agreed to the published version of the manuscript.

Funding:

This research received no external funding.

Institutional Review Board Statement:

"Not applicable." for studies not involving humans or animals.

Informed Consent Statement:

"Not applicable." for studies not involving humans.

Data Availability Statement:

No.

Acknowledgments:

No.

Conflicts of Interest:

No.

Reference:

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APPENDIX A

Table 3. Results of correlation analysis between variables

Variable Identity	OFDI	CComposite	CEconomic	CFinancial	CPolitical	SComposite	SEconomic	SFinancial	SPolitical	Market	Resource	Strategy
OFDI	1.0000	-0.6923***	-0.3789	-0.5837**	-0.7758***	-0.2310	0.0901	0.5198*	-0.8097***	0.8198***	-0.5077*	0.3451
CComposite	-0.6532**	1.0000	0.4559	0.7621***	0.9253***	0.3278	0.0066	-0.6454**	0.8493***	-0.7626***	0.6615***	-0.3319
CEconomic	-0.2970	0.5971**	1.0000	0.4294	0.2731	0.1819	0.2819	-0.3598	0.3495	-0.4736*	0.7026***	0.1233
CFinancial	-0.4002	0.6848***	0.5750**	1.0000	0.6233**	0.4112	0.2247	-0.7141***	0.8611***	-0.8436***	0.7863***	-0.3216
CPolitical	-0.6614***	0.9646***	0.3854	0.5317*	1.0000	0.2090	-0.1692	-0.6982***	0.8141***	-0.7582***	0.5121*	-0.2659
SComposite	-0.1716	0.1757	0.5267*	0.3462	0.0255	1.0000	0.8405***	-0.1356	0.4868*	-0.3278	0.5347**	-0.6557**
SEconomic	0.1424	-0.0962	0.3962	0.0964	-0.2346	0.9274***	1.0000	-0.0154	0.1892	-0.0462	0.4110	-0.3670
SFinancial	0.2777	-0.7812***	-0.3757	-0.6125**	-0.7639***	0.1172	0.2693	1.0000	-0.6626***	0.8128***	-0.6916***	0.0132
SPolitical	-0.7404***	0.8682***	0.5171*	0.7965***	0.8049***	0.3145	-0.0359	-0.6667***	1.0000	-0.8537***	0.7019***	-0.4730*

Variable Identity	OFDI	CComposite	CEconomic	CFinancial	CPolitical	SComposite	SEconomic	SFinancial	SPolitical	Market	Resource	Strategy
Market	0.6976***	-0.8799***	-0.5442**	-0.8053***	-0.8109***	-0.1170	0.1747	0.8056***	-0.9018***	1.0000	-0.7934***	0.3231
Resource	-0.4531	0.7239***	0.7830***	0.8136***	0.5573**	0.5245*	0.3367	-0.5914**	0.7121***	-0.7614***	1.0000	-0.3099
Strategy	0.4699*	-0.3565	-0.3554	-0.5192*	-0.2627	-0.6896***	-0.4518	-0.0196	-0.5935**	0.4104	-0.5016*	1.0000

*Note: *, **, *** imply significant at the 10%, 5%, and 1% significance levels, respectively (two- sided test).*