

Regional distribution of foreign direct investment in China: A multivariate data
analysis of major socioeconomic variables

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Abstract

This study aims to identify the driving forces behind the regional distribution of inward FDI flows in China for the period 1998-2003. Based on the eleven selected socioeconomic variables and by adopting factor analysis, we accept the hypothesis that the overall socioeconomic environment in the administrative regions of China is a fundamental determinant of regional disparity in FDI. We use the complete linkage clustering technique to classify these regions into broader groups and then explore the similarities and dissimilarities between them. The findings from the study provide a yardstick for multinational firms regarding location decisions at the provincial level.

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