MACRO-LOCATIONAL DETERMINANTS AND MOTIVES OF CHINESE FOREIGN DIRECT INVESTMENT IN CAMEROON

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ABSTRACT

This research falls under the general themes of macro-locational determinants and motives of Foreign Direct Investment (FDI) and the challenges faced by FDIs. Specifically, the research focuses on macro-locational determinants of FDI and the motives of Chinese FDI in Cameroon, and the challenges faced by Chinese FDI in Cameroon. This research is motivated by China's interest in African countries as well as the reciprocal interest in Chinese FDI by African countries, especially Cameroon.

While various FDI theories and previous empirical studies indicate that macro-locational determinants of FDI constitute a country's principal comparative advantage to attract FDI, there is still no universally acceptable set of macro-locational determinants of FDI. Furthermore, some empirical studies assert that Chinese FDI does not follow conventional FDI theories or western approaches to FDI, especially when investing in African countries. It is suggested that some widely accepted macro-locational determinants of FDI are frequently ignored by Chinese FDI.

While FDI theories identify four motives for FDI (resource-, market-, efficiency-, and strategic asset-seeking) as the main motives for investing in a foreign country, the motives for Chinese FDI, especially in Africa, have been questioned by some scholars, the media and politicians, due to the significant but seemingly counterintuitive investments made by Chinese state-owned FDI in politically unstable resource-rich African countries. Furthermore, differences in the motives of Chinese privately owned and state-owned firms identified in previous empirical studies have raised concerns, particularly regarding the motives of state-owned Chinese firms in Africa which suggest a stance of neo-colonialism by Chinese state-owned FDI.

The research aims to identify the significant macro-locational determinants of Chinese FDI in Cameroon, to provide clarity on the motives of Chinese FDI and to identify the challenges faced by Chinese FDI in Cameroon.

To achieve the aim of this research, hypothetical relationships based on FDI theory and previous empirical research were formulated between Chinese FDI and the proposed macro-locational determinants of FDI and the four identified motives of FDI. In this research, a positivist research paradigm using quantitative methods was followed. Accordingly, the

research design and methodology was underpinned by the positivist paradigm. A descriptive and analytical survey methodology was utilised, using both primary and secondary data sources. Secondary data was collected from reliable and credible databases for the period 2004 to 2018 to generate a time series to test the hypothetical relationships pertaining to the macro-locational determinants of Chinese FDI in Cameroon. To test the hypothetical relationships pertaining to the motives of Chinese FDI and to identify the challenges of Chinese FDI in Cameroon, primary data was collected by means of a questionnaire using convenience and snowball sampling techniques. The validity of the findings on the macro-locational determinants of FDI was confirmed through unit root and cointegration tests. Confirmatory Factor Analysis (CFA) and Cronbach's alpha coefficients were used to ensure the validity and reliability of the findings on the motives of FDI. To assess the hypothetical relationships on the motives for Chinese FDI, the hypothetical relationship on the macro-locational determinants of FDI was determined using Ordinary Least Square (OLS) regression, t-tests, one-way ANOVA, descriptive statistics and logistic regression. In addition, descriptive statistics were used to analyse the data on the challenges of Chinese FDI.

The findings indicated that the main macro-locational determinants of Chinese FDI in Cameroon included market size, political risk, limited trade openness, real effective exchange rate, interest rate and human capital. The findings also indicated that market-seeking constitutes the main motive of privately owned Chinese FDI in Cameroon. The findings also indicated that the top four challenges faced by Chinese FDI in Cameroon include corruption, the ambiguity of the legal system of Cameroon, the difficulty to negotiate with government and privatisation officials and high levels of taxes.

The findings of this research serve as a test of theory, given that they determine whether the macro-locational determinants identified from FDI theories are also significant macro-locational determinants of Chinese FDI. Furthermore, the findings have the potential to assist in policy formulation aimed at encouraging Chinese FDI into Cameroon. The findings could also assist the Cameroonian government to allocate national resources efficiently by prioritising identified macro-locational determinants. The findings provide clarity on the motives of Chinese FDI in Cameroon and could assist the government to negotiate better deals that may enable Cameroon to benefit optimally from Chinese FDI.
Keywords: Foreign Direct Investment, Macro-locational determinants, Motives, Challenges, Chinese, Cameroon.

DECLARATION

I declare that the Dissertation/Thesis entitled, Macro-locational determinants and motives of Chinese Foreign Direct Investment (FDI), which I hereby submit for the degree, Master of Commerce (Financial management) at Rhodes University, is my own work. I also declare that this thesis/dissertation has not previously been submitted by me for a degree at this or any other tertiary institution and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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Quintabella Andangnui

DEDICATION

This thesis is dedicated to the Almighty God and to my supervisor, Professor Lynette Louw, whose continuous support, encouragement and guidance has guided me to the completion of this thesis.

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INTRODUCTION, CONTEXT AND AIM OF THE RESEARCH

1.1 INTRODUCTION AND BACKGROUND TO THE RESEARCH

The prevalence of foreign direct investment (FDI) among developing countries dates back to the 1980s when the need for stable sources of foreign capital became increasingly necessary due to the low local national savings and the prevailing lending crises (Demirhan and Masca, 2008, p.356). According to the United Nations (2007, p.344), "FDI is investment made to acquire a lasting interest in or effective control over an enterprise operating outside of the economy of the investor". FDI is intended to encourage economic development and growth in developing countries through job creation, knowledge and technology transfer, and increase in national income through taxes (Erdal and Tatoglu, 2002, p.21; Ranjan and Agrawal, 2011, p.255; Akwaowo, 2013, p.24; Alfaro, 2014, p.30; Kariuki, 2015, p.346). The decline in FDI flow into Africa has placed African countries in a difficult position given their high reliance on FDI to fund various domestic socio-economic crises (Sichei and Kinyondo, 2012, p.85). The unstable political and macroeconomic environment, together with low economic growth rates, weak infrastructure, poor governance, inhospitable regulatory environments, and ill-conceived investment promotion strategies have been identified as some of the challenges faced by FDI in most African countries contributing to the slow growth in FDI in most African countries (Dupasquier and Osakwe, 2005, p.241).

Even though Africa has lagged behind other developing nations in terms of attracting FDI inflows (Erdal and Tatoglu, 2002, p.21; United Nations Conference on Trade and Development, 2017), there has been an increase in Chinese FDI into Africa, attributable largely to China's recent involvement in Africa (Dollar, 2016). Van de Looy and De Haan (2006, p.572) argue that the relationship between China and Africa has shifted in emphasis from political to economic and is characterised by substantial investment by Chinese firms in Africa. This argument is supported by the fact that approximately 700 Chinese firms were operating in 49 African countries by 2004 (Van de Looy and De Haan 2006, p.1), making China Africa's main FDI partner (Chen, Dollar and Tang, 2016, p.1).

As is generally the case with China-Africa relationships, China-Cameroon relations date back to the 1990s continuing to strengthen to mid-2014 when Cameroon became the tenth Chinese FDI destination of choice in Africa with total investments of US$ 5 billion (Cabestan, 2015, p.7), making Chinese investments worth two and a half times more than all other foreign investment in Cameroon (Cabestan, 2015, p.1; Monde, 2015, p.1). Several futile attempts have been made by the Cameroonian president to attract additional Chinese investments to the country (Cabestan, 2015, p.6). The decline in Chinese FDI could be attributed to the recent setbacks in China-Cameroon relations (Cabestan, 2015, p.1) and the country's low FDI/GDP ratio compared to most sub-Saharan countries (Khan and Bamou, 2006, p.76). This could have severe adverse effects on the country's economy, given the high reliance on FDIs to finance national development (Khan and Bamou, 2006, p.75). This research study is motivated primarily by the focus of Cameroon's economic policy on promoting FDI (Khan and Bamou, 2006, p.75), especially with the Chinese and, secondly, by China's interest in African countries (Biggeri and Sanfilippo, 2009, p.33) and the reciprocal interest of other African countries in Chinese FDI.

Given the importance of FDI in developing countries, several empirical studies and literature studies have been undertaken to identify the determinants of FDI (Cheng and Kwan, 2000; Anyanwu, 2011; Sichei and Kinyondo, 2012; Assunção, Forte and Teixeira, 2013; Eissa and Elgammal, 2014; Da Silveira, Samsonescu and Triches, 2017). However, amongst the determinants it is asserted that the *locational determinants,* at the macro level, are the main sources of a country's comparative advantage to attract FDI (Dunning and Zhang, 2008, pp.3-4; Sichei and Kinyondo, 2012, p.88). Macro-locational determinants refer to the natural or created endowments in countries that attract FDI and include market size, trade openness, inflation rates, infrastructure, political risk, labour cost, interest rate, human capital, and exchange rates (Dunning, 2000, p.164; Buckley, Clegg, Cross, Liu, Voss and Zheng, 2007, pp.506-507; Demirhan and Masca, 2008, pp.358-361; Ranjan and Agrawal, 2011, p.257; Sichei and Kinyondo, 2012, pp.88-89; Eissa and Elgammal, 2014, p11; Csizmadia, 2015, p.18 & p.20; Trinh and Nguyen, 2015, pp.56-59; Phung, 2016; Kisto, 2017, p.367).

Despite the importance of macro-locational determinants for policymakers, Cheng and Kwan (2000, p.380), Da Silveira, Samsonescu and Trichers (2017, p.181) and Kok and Ersoy (2009) assert that there is no widely accepted set of macro-locational determinants of FDI. This assertion is particularly relevant to the significant differences in macro-locational determinants

of FDI among countries as well as the differences amongst the macro-locational determinants' ability to attract FDI in each country. For example, infrastructure and trade openness have been identified as major macro-locational determinants of FDI inflow to developing countries (Phung, 2016, p.12) whereas in Nigeria, specifically, the market size was a more significant determinant of attracting FDI than any other macro-locational determinant (Wafure and Nurudeen, 2010, p.30).

It is, therefore, important for each country not only to consider what constitutes its own macro-locational determinants of FDI but also to ascertain the level of importance of each macro-locational determinant to attract FDI. This will assist in sound policy development to attract FDI and will also assist governments to identify which macro-locational determinant to prioritise in order to allocate resources efficiently.

Even though the contribution of Chinese FDI to the development of African countries cannot be denied (Chen, Dollar and Tang, 2016, p.1), there are controversies regarding the *motives* of Chinese FDIs in Africa based on their interest in resource-rich African countries with poor governance (Kolstad and Wiig, 2011, p.31). From theories and a literature review, four main motives of FDIs are evident, namely, *market-seeking* (to gain access to certain foreign markets), *resource-seeking* (seeking to acquire natural resources), *efficiency-seeking* (to break down and relocate the vertical production chain to locations that offer lower production costs), and *strategic asset-seeking* (seeking ways to boost the ownership advantage of the FDI thereby weakening that of its competitors) (Dunning, 2000, pp.164-165; Khan and Bamou, 2006, p.7; Drogendijk and Blomkvist, 2013, p.81).

The United Nations Conference on Trade and Development (UNCTAD) (1998, p.91), categorises the macro-locational determinants into three categories – policy framework for FDI, economic determinants and business facilitation; and asserts that certain economic determinants are important for achieving specific motives. This is further discussed in Chapter 3 where it is explained that market size is important for market seeking and the availability of natural resources is important for natural resource seeking.

A study by Okafor, Piesse and Webster (2015, p.875) on the motives of FDI in sub-Saharan Africa revealed significant regional differences with FDI in West and Central African countries being largely driven by market and efficiency-seeking motives rather than natural resource-

seeking, even though these countries are heavily endowed with natural resources. This finding has several implications for this study. It not only recognises the importance of certain economic determinants of FDI for achieving specific motives of FDIs but also reveals that the main economic determinants of FDI in a country may not necessarily accurately reflect the motives of foreign direct investors in that country.

The motives of Chinese FDI in Cameroon require close scrutiny given that the main macro-locational attraction may not necessarily reflect the actual motives of the foreign direct investor. Contrary to the findings of Okafor, Piesse and Webster (2015, p.875), the findings of Dunning and Zhang (2008, p.5), Ramasamy, Yeung and Laforet (2012, p.25) and Popovici and Călin (2014, p.53) reveal the importance of various economic determinants of FDI in achieving the motives of FDI. They also found that the economic determinants influence the FDI destinations according to the importance of the economic determinant in achieving the motives of the FDI. This emphasises the importance of investigating the most important economic determinants of FDI relevant for achieving the motives of Chinese FDI in Cameroon.

The origins of contemporary FDI theory can be found in the works of Vernon and Hymer who established the product life cycle theory and the FDI theory of industrial organisation respectively (Nayak and Choudhury, 2014, p.14). Vernon's (1966 cited in Nayak and Choudhury, 2014, p.14) theory posits that firms engage in FDI during the maturity stage of a product when it becomes necessary to produce goods in a foreign country in order to meet demand and to compete efficiently. On the other hand, Hymer's (1976 cited in Nayak and Choudhury, 2014, p.5) industrial organisation theory explains that FDIs use imperfect market conditions and ownership advantage to gain comparative advantage over domestic firms who already have location advantage.

Among other theories are those of Aliber (1970; 1971, cited in Sharan, 2012, p.224) and Froot and Stein (1989) which explain the motivation for FDI based on exchange rates. Aliber (1970; 1971 cited in Sharan, 2012, p.224) developed Aliber's hypothesis which argues that firms from countries with strong currencies can invest in countries with weak currencies with ease as they can access funds at a lower cost. Froot and Stein's (1989) model, however, states that when the real value of a currency depreciates, the wealth of both citizens and foreign residents falls, consequently making it cheaper for foreign firms to acquire assets of domestic firms.

MacDougall (1958 cited in Sharan, 2012, p.220) developed the MacDougall-Kemp hypothesis which explains that FDI moves from capital-abundant countries to capital-scarce countries. Hood and Young's (1979 cited in Aregbeshola, 2014, p.558) location-specific theory suggests that firms locate to other countries to benefit from location-specific advantages such as low wages. In contrast, Porter's (1990, p.73) theory of competitive advantage argues that the competitive advantage of a country depends neither on its natural endowments nor on its currency, but rather on the ability of its industries to be innovative and productive. Also, the internalisation theory by Buckley and Casson (1976 cited in Nayak and Choudhury, 2014, p.7) states that FDIs are created when there is internalisation of markets across different countries.

Dunning's (2000, pp. 163-164) eclectic paradigm avers that firms engage in FDI based on three sub-paradigms. Firstly, firms engage in FDI if they have some type of comparative advantage (for instance technology, management skills). Secondly, if **t**here is natural or created endowment in the investing country and lastly, if it is considered beneficial to internalise the foreign market rather than to license the right to another foreign firm to do so. These theories are relevant when seeking to explain the existence of FDI. These theories (product life cycle theory, theory of industrial organisation, Aliber's hypothesis, Froot and Stein's model, MacDougall-Kemp hypothesis, location-specific theory, theory of competitive advantage, the internalisation theory and the eclectic paradigm), as well as other theories including, the cost of capital theory, the matrix of the Firm Specific Advantages-Country Specific Advantages (FSA-CSA) at the multinational enterprise level, and the Investment development path theory will be further discussed in Chapter 2, Section 2.8, given that they all validate the importance of macro-locational determinants and motives to explain the existence of FDI.

It has been asserted that with the emergence of Chinese FDIs in Africa, the conventional western approach to FDI being that of selecting a stable and well-managed investment environment was largely ignored, with large investments being made in poorly governed resource-rich countries (Chen, Dollar and Tang, 2016, p.1). This, in turn, raised concerns regarding the main motives of Chinese FDIs in Africa (Kolstad and Wiig, 2011, p.31) and, specifically, in Cameroon.

While literature and FDI theories identify possible macro-locational determinants and motives for FDI (Sichei and Kinyondo, 2012, p.84; Sharan, 2012, pp.220-224), Chinese FDI, especially between Chinese privately owned and state-owned firms in various countries, reveals

significant discrepancies in the macro-locational determinants and the investment motives Ramasamy, Yeung and Laforet, 2012; Amighini, Rabellotti and Sanfilippo, 2013, Okafor, Piesse and Webster, 2015, p.875; DePoyster, 2017;), thereby making it necessary for policy makers to carefully investigate country-specific macro-locational determinants and the actual motives of Chinese FDI.

The ambiguity surrounding FDI theories and approaches further complicates the understanding of the issue of what accurately constitute the macro-locational determinants of FDI (Chanegriha, Stewart and Tsoukis, 2016, p.760), especially in Cameroon. For clarity of understanding of the macro-locational determinants and motives of Chinese FDI in Cameroon as well as the challenges faced by Chinese FDI in Cameroon, the research aim and objectives are outlined in the next section.

1.2 RESEARCH AIM AND OBJECTIVES

1.2.1 Research aim and primary research objective

Considering the absence of information on a universal set of macro-locational determinants of FDI, the controversies surrounding the motives of Chinese FDI, the importance of specific economic determinants for achieving specific FDI motives, and the challenges limiting FDI flows to most African countries. This research aims to provide information to meet the current knowledge gap on the topic of Chinese FDI in Cameroon.

The aim and primary research objective of this research is to ascertain the significance of the proposed macro-locational determinants for Chinese FDI and to identify the motives for Chinese FDI and the associated challenges in Cameroon.

1.2.2 Secondary research objectives

To achieve the research aim and primary research objective, the following secondary objectives were formulated:

1. To ascertain the significance of the macro-locational determinants of Chinese FDI in Cameroon.

2. To identify the motives for Chinese FDI in Cameroon and determine whether interest in the motives differs between privately owned and state-owned firms in Cameroon.
3. To determine whether a relationship exists between privately owned and state-owned Chinese firms in Cameroon and FDI motives.
4. To ascertain the importance of selected economic determinants for the motives of Chinese FDI in Cameroon.
5. To identify the challenges faced by Chinese FDIs in Cameroon.
6. To provide recommendations to the Cameroonian government on how to attract more Chinese FDI and also to provide a better understanding of the motives of Chinese FDIs.

To achieve the first, second and third objectives mentioned in Section 1.2.2 above, the following hypotheses have been formulated. Research hypotheses were not formulated for the fourth and fifth objectives given that only descriptive statistics will be used to achieve these objectives

1.2.3 Research hypotheses

A set of hypotheses have been formulated to achieve the first objective of this research respectively:

- **First set of hypotheses**

  $\mathbf{H^1}$: There is a positive relationship between Chinese FDI in Cameroon and the following macro-locational determinants of FDI variables:

  $\mathbf{H^{1.1}}$: Infrastructure;

  $\mathbf{H^{1.2}}$: Market size;

  $\mathbf{H^{1.3}}$: Human capital;

  $\mathbf{H^{1.4}}$: Natural resources; and

  $\mathbf{H^{1.5}}$: Global competitiveness index;

  $\mathbf{H^1}$: There is a negative relationship between Chinese FDI in Cameroon and the following macro-locational determinants of FDI variables:

  $\mathbf{H^{1.6}}$: Political risk;

  $\mathbf{H^{1.7}}$: Trade openness;

$H^{1.8}$: Inflation rate;

$H^{1.9}$: Exchange rate; and

$H^{1.10}$: Interest rate.

Two sets of research hypotheses have been formulated to achieve the second and third objectives of this research, respectively:

- **Second set of hypotheses**

  H^{2}: There is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in the following motives:

  $H^{2.1}$: Resource-seeking motive;

  $H^{2.2}$: Market-seeking motive;

  $H^{2.3}$: Efficiency-seeking motive; and

  $H^{2.4}$: Strategic asset-seeking motive.

- **Third set of hypotheses**

  H^{3}: There is a relationship between privately owned and state-owned Chinese firms in Cameroon and the following motives:

  $H^{3.1}$: Resource-seeking motive;

  $H^{3.2}$: Market-seeking motive;

  $H^{3.3}$: Efficiency-seeking motive; and

  $H^{3.4}$: Strategic asset-seeking motive.

The next section provides an overview of the research design and methodology which will be used to achieve the secondary research objectives and to test the research hypotheses.

1.3 RESEARCH DESIGN AND METHODOLOGY

For the purpose of this research study a positivist paradigm was considered appropriate due to the use of quantitative methods to collect and analyse data (Collis and Hussey, 2014, p.44) (See Chapter 5, Section 5.3). The research design included two phases, using quantitative secondary data and primary data sources (see Chapter 5, Section 5.5.2.3). In phase one, secondary quantitative data was used to ascertain the significance of the proposed macro-locational

determinants of Chinese FDI in Cameroon. In phase two, primary quantitative data was collected to identify the motives for and the associated challenges of Chinese FDI in Cameroon. Quantitative data from phase two was also used to ascertain the importance of the selected economic determinants of FDI for the motives of Chinese FDI in Cameroon and to test the two sets of stated hypotheses.

1.3.1 Secondary sources

To achieve the first objective of this research, secondary sources was used to acquire the secondary quantitative data pertaining to the proposed macro-locational determinants, and Chinese FDI stock was obtained from reliable secondary data sources including the statistical bulletin of China's outward FDI, the World Bank's World Development Indicators database, the Global Competitiveness Report, the International Monetary Fund's (IMF) International Financial Statistics (IFS) database, the United Nations Development Program (UNDP), human development report and the Political Risk Services International Country Risk Guide (PRS), to generate quarterly and/or annual time series data for the period 2003 to 2017. These secondary data were used to achieve the first objective of this research.

In addition, to gain a better understanding of the macro-locational determinants and the motives of FDI, other secondary sources were consulted in the related subject disciplines of economics and the international business field. To obtain the relevant information, textbooks, journal articles, conference proceedings and dissertations, searches included the use of the Rhodes University library facilities and online databases such as Google Scholar, the Emerald research register, Elsevier and Ebscohost. An overview of the secondary sources dealing with the relevant concepts, theories and literature on the macro-locational determinants and motives of FDI reviewed by the researcher will be provided in Chapters 2, 3 and 4.

1.3.2 Primary sources

Primary sources were used to acquire the primary data required for achieving objectives two to five stated in Section 1.2.2 above and for testing the hypotheses stated in Section 1.2.3 above. This primary data was gathered from Chinese firms in Cameroon by means of a self-administered 5-point Likert scale questionnaire. The questionnaire comprised three main sections pertaining to the background information of the firm, the motives for Chinese FDI in

Cameroon, and challenges of Chinese FDI in Cameroon. A covering letter and a participant's informed consent form were attached to the questionnaire. An explanation of the data collection process will be provided in Chapter 5, Section 5.5.

1.3.3 Sampling procedure

The sampling procedure was only relevant for phase two of the research as phase one entailed the collection of data from 2003 to 2017 on the proposed macro-locational determinants of FDI and the stock of Chinese FDI in Cameroon to create a time series. The sampling procedure for phase two, consisted of five stages including, defining the population, selecting the sample frame and unit, sampling method and sample size. The population for this research was that of all Chinese firms operating in Cameroon. The sampling frame could not be determined accurately, given that it was impossible for the researcher to obtain a list of all Chinese firms operating in Cameroon. However, the sampling unit consisted of the selected Chinese firms operating in Cameroon. The Chinese firms were identified with the assistance of a contact person in Cameroon using convenience and snowball sampling techniques.

1.3.4 Data analysis

For the analysis of the quantitative data for phase one, the statistical model from Buckley, et al. (2007, p.507) was adapted to identify the significant macro-locational determinants of Chinese FDI. Based on the model, the stock of Chinese FDI (dependent variable) from a time series data set was regressed according to a number of variables identified as macro-locational determinants of Chinese FDI (independent variables) using the regression equation below:
$\ln FDI_t = c + \beta_1 \ln ELECTRICITY_t + \beta_2 \ln REALGDP_t + \beta_3 \ln HDI_t + \beta_4 \ln FUEL\_EXPT_t\ \beta 5 \ln GCI_t + \beta_6 \ln POL\_RISK_t + \beta_7 \ln TRADEOPEN_t + \beta_8 \ln INFLATION_t + \beta_9 \ln REER_t + \beta_{10} \ln DISCRATE_t + \varepsilon_t$. Where c is a constant coefficient, ln the natural logarithm of the variables, β_1 to β_{10} the coefficients of the variables described in Table 1.1 below and ε_t the error term.

The data on the equation above were converted into natural logarithms following the same assumption as Buckley, et al. (2007, p.507) of a non-linear relationship between the variables based on theory and previous empirical findings.

Table 1.1: Macro-locational determinants of FDI variable's description (see Chapter 3, Section 3.2)

Variable	Variable name	Proxy
Chinese FDI	FDI	Stock of Chinese FDI as a percentage of GDP
Infrastructure	ELECTRICITY	Access to electricity, as a percentage of total population
Market size	REALGDP	Change in GDP adjusted for the effects of price inflation
Human capital	HDI	Human Development Index (HDI), Cameroon's score
Natural resources	FUEL_EXPT	Fuel export % of merchandise exports
Competitiveness of Cameroon	GCI	Cameroon's score on the Global Competiveness Index (GCI)
Political risk	POL_RISK	Cameroon's rating for political stability and absence of violence
Trade openness	TRADEOPEN	Ratio of imports and exports to GDP
Inflation rate	INFLATION	Changes in consumer price index
Exchange rate	REER	Cameroon's Real Effective Exchange Rate (REER)
Interest rate	DISCRATE	Discount rate per annum

(Source: Buckley, et al., 2007; Trinh and Nguyen, 2015, pp.56-57&61; Wafure and Nurudeen, 2010, p.28; Eissa and Elgammal, 2014, p.10; Kisto, 2017, p.371).

Before the macro-locational determinants were identified and their level of importance ascertained, certain criteria were applied to ensure the reliability and validity of the available data. Firstly, the Augmented Dickey-Fuller unit root test and the Kwiatkowski-Phillips-Schmidt-Shin (KPSS) test were used to verify the stationary state and order of integration of the variables in the time series data (Trinh and Nguyen, 2015, p.61; Da Silveira, Samsonescu and Triches, 2017, p.178; Paparoditis and Politis, 2018, p.955). These unit root tests assisted in determining the validity and reliability of the available data in order to avoid invalid results (Anyanwu, 2011, p.18; Kisto, 2017, p.371). Secondly, once the time series data were tested for stationarity, the regressions were estimated and then the Engle-Granger test was employed to investigate whether a long run relationship exists among the variables (Enders and Siklos, 2001, p.175; Trinh and Nguyen, 2015, p.61; Da Silveira, Samsonescu and Triches, 2017, p.176). Finally, the regression analysis was conducted by means of Ordinary Least Squares (OLS) analysis to determine the effect of the macro-locational determinants on the stock of

Chinese FDI in Cameroon (Anyanwu, 2011, p.18; Eissa and Elgammal, 2014, p.12). The regression coefficient for each variable revealed the significant macro-locational determinants and ascertained the level of importance of each locational determinant on Chinese FDI to Cameroon (Du, 2011, p.19).

For phase two, descriptive statistics were used to summarise the demographic information pertaining to the background information of the Chinese firms in Cameroon. Thereafter a Confirmatory Factor Analysis (CFA) and Cronbach's alpha coefficients were used to confirm the validity and reliability of the research instrument, respectively. Descriptive statistics were used to summarise the data on the motives of Chinese firms in Cameroon, after which Spearman's correlation coefficient was used to investigate whether the motive variables are not too similar. In addition, a t-test and one-way ANOVA were used to determine whether there is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in the FDI motives. Logistic regression was used to determine whether there is a relationship between privately owned and state-owned Chinese firms in Cameroon and the FDI motives. A logistic regression was deemed appropriate based on Barasa and Muchwanju (2015, p. 246) study which explains that a logistic regression is most appropriate when investigating the relationship between a dependent variable which is binary in nature also known as a response or outcome variable and a set of independent variables known as predictor or explanatory. Thus, to carry out the logistic regression, a set of independent variables (resource, market-, efficiency- and strategic asset-seeking motives) was regressed on the binary dependent variable (privately owned and state-owned Chinese firms in Cameroon) to test the hypothesis stated in Section 1.2.3 above and determine whether a relationship exist between privately owned and state-owned Chinese firms in Cameroon and the aforementioned FDI motives. Lastly, descriptive statistics were used to ascertain the importance of the selected economic determinants of FDI for the motives of Chinese FDI in Cameroon and to identify the challenges faced by Chinese FDI in Cameroon.

1.4 ETHICAL CONSIDERATIONS

Prior to the commencement of the study, ethical clearance was sought from the Rhodes University Ethics Standard Committee-Human Ethics subcommittee (RUESC-HE) through the Department of Management. The ethical criteria of being informed, obtaining consent, assurance of anonymity, voluntary participation, and non-payment for participation were

adhered to. A detailed explanation of the ethical criteria applied during this research is provided in Chapter 5.

1.5 SCOPE AND DEMARCATION OF THE RESEARCH

The scope and demarcation of the research falls under the general themes of macro-locational determinants and motives of FDI, and the challenges faced by FDIs. Specifically, the research focuses on the macro-locational determinants and the four main motives of FDI, as well as the challenges faced by Chinese FDI. The research does not take into consideration other determinants of FDI such as the locational determinants of FDI at the micro level. In addition, the research does not take into consideration the challenges faced by other foreign investments which are not FDI, such as portfolio investment.

Furthermore, the current research focuses on empirical analysis of the prominent macro-locational determinants of FDI (infrastructure, market size, human capital, natural resources, the global competitiveness of a country, political risk, trade openness, inflation rates, exchange rates, and interest rates). In terms of the motives for FDI, the focus of this research study is limited to the four main motives of FDI (resource-, market-, efficiency- and strategic asset-seeking) as identified from FDI theories and literature. The results of this research study are, therefore, limited to the analysis and findings of the prominent macro locational determinants of FDI, and the four main motives of FDI and identified challenges of Chinese FDI.

Furthermore, with regard to the importance of the economic determinants for the motives of Chinese FDI. The findings of the research are limited to the selected economic determinants used in the research (natural resources, low cost of labour, market size, access to regional and global markets, cost of resources and other inputs, skilled labour with research and development (R&D) capacity, technology sourcing and brand names).

The population in phase two of this research consists of Chinese FDI firms in Cameroon. Other FDI countries operating in Cameroon such as France, Morocco, the Netherlands, America and South Africa will not be included in this research. Furthermore, although the research considered all Chinese firms operating in Cameroon, the results are based on the responses from Chinese firms which were selected by the contact person in Cameroon based on proximity or which were recommended by other Chinese firms and were willing to participate.

Finally, the scope and demarcation of the current research meet the primary aims and objective of the research stated in section 1.2.1, which is to ascertain the significance of the proposed macro-locational determinants of Chinese FDI in Cameroon and to identify the motives for and the challenges associated with Chinese FDI in Cameroon.

1.6 OUTLINE OF DISSERTATION

To ensure that the research is properly structured, the plan of the research is summarised as follows:

Chapter 2 will introduce the concept of FDI by outlining its global origin and its particular history in Cameroon and will provide a detailed definition of FDI. Furthermore, the rise of Chinese FDI will be discussed, including China's relations with other African countries providing further justification for the importance of investigating the macro-locational determinants and motives of Chinese FDI in Cameroon. In addition, the most relevant theories on FDI will be reviewed to assist in identifying the proposed/prominent macro-locational determinants and the motives of FDI.

Chapter 3 will review studies and identify the prominent macro-locational determinants of FDI, and the motives of FDI. In addition, Chapter 3 will identify the important economic determinants relevant for achieving the motives of FDI.

Chapter 4 will focus on the motives of FDI and provide a detailed description of the four main motives of FDI identified in Section 1.1 above. Furthermore, Chapter 4 will review previous studies on the motives of FDI and Chinese FDI.

Chapter 5 will provide a detailed description of the research design and methodology followed in the research. The research paradigm, the type of research, the sampling procedure, the data collection and data analysis method of the two phases of the research will be clearly outlined.

Chapter 6 will report the empirical results of the two phases of the research based on the data analysis.

Chapter 7 will provide the summary and conclusions of the research based on the empirical results of the research. In addition, recommendations arising from the research study and information on the contribution of the research to the body of knowledge on the topic will be provided.

CHAPTER 2:
OVERVIEW OF CHINESE FDI IN AFRICA AND FDI THEORIES

2.1 INTRODUCTION

Early FDI is believed to have taken place in the late nineteenth century and was dominated largely by British firms during the Victorian and Edwardian eras with the firms being referred to as "plantation firms" (Pacific, Sunday and Lucy, 2015, p.5). These plantation firms include the modern-day companies, Unilever, Dunlop and Cadbury which made massive investments in West African vegetable oil, rubber and cocoa plantations respectively (Pacific, Sunday and Lucy, 2015, p.5). The UK's powerful international position dominated FDI flows at the time and accounted for 46% of the world's FDI stock in 1914. However, the UK's economic decline after World War II resulted in the United States assuming the dominant position with US FDI flows accounting for 48% of the world's FDI stock by 1960 (Pacific, Sunday and Lucy, 2015, p.5). In recent years, the pattern of FDI flows has changed dramatically with significant contributions from various sources including developed, developing and transitioning economies such as China, leading to a 35% decline in traditional FDI flows from developed countries by 2012 (Yao, Wang, Zhang and Ou, 2016, p.54). With significant increases having been seen in FDI since its inception, FDI continues to be a topic of interest among researchers (Mourao, 2018, p.258) due to its contribution to the economic development and growth of most economies as highlighted in Chapter 1 (Solomon and Ruiz, 2012, p. 181; Nielsen, Asmussen and Weatherall, 2017, p.63).

Even though FDI is widely accepted by academics as a means of fostering economic development (Mourao, 2018, p.258), Alfaro (2014, pp.3-4) asserts that FDI results in monopolistic power in host countries and that the countries making the investments benefit significantly from competitive advantage through superior technology. This results in subsequent damage to the host countries in terms of economic dependence, exploitation of natural resources, loss of national sovereignty, and erosion of local culture. It is also suggested that technologically advanced FDI may also threaten the survival of domestic firms (Khan and Baye, 2008, p.5). Aside from the general arguments regarding the value of FDI for host countries, it is important to consider the impact of FDI on developing and developed countries (Gaius and Emmanuel, 2018, p.1). Gaius and Emmanuel (2018, p.1) explain that some

researchers are of the opinion that FDI is more beneficial to developed countries than it is to developing countries because of the resulting exploitation of natural resources and advantage being taken of cheap labour in developing countries. Others argue that FDI is more beneficial to developing countries because it assists in the transfer of technological expertise and creates jobs in these countries. Nonetheless, Tintin (2013, p.287) asserts that despite the issues regarding the advantages of FDI for the host countries, several scholars agree that the benefits derived from FDI outweigh the negative impact. Furthermore, Alfaro (2014, p.4) explains that the benefits of FDI to the firm and the host country depend largely on the policies implemented and the prevailing conditions in the foreign market. This emphasises the importance of investigating the determinants of FDI and the motives of Chinese FDI. The findings of this research will provide a basis for policy development on how to attract more Chinese FDI based on the identified macro-locational determinants and will also provide a greater insight into the motives of Chinese investors, which will assist in developing policies that will mitigate the losses and maximise the benefits from Chinese foreign investment.

The concept of FDI and the origin of FDI in Africa and Cameroon and its evolution in Africa were introduced in this chapter to provide the rationale for investigating the macro-locational determinants and motives of Chinese FDI in Cameroon. This chapter provides the definition of FDI, FDI trends in Africa and the rise of China on the continent. This chapter also describes the nature of China-Africa relations and Chinese FDI in Africa and includes a description of the economic background of Cameroon, as well as the trends of FDI in Cameroon and the nature of China-Cameroon relations. This chapter concludes with a detailed discussion on the most relevant theories on FDI.

2.2 FDI DEFINED

According to the United Nations (2007, p.344), “FDI is investment made to acquire a lasting interest in or effective control over an enterprise operating outside of the economy of the investor”. Akwaowo (2013, p.22) states that “the lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise”. FDI involves the ownership of assets in a country by residents of another country with the main aim of controlling the assets acquired (Alfaro, 2014, p.5). FDI is also defined as a situation in which a foreign firm operates a subsidiary unit abroad to sell its goods and services. Regardless of the definition, a firm is only considered to have engaged in FDI if it has an ownership advantage

over rival domestic firms (Mourao, 2018, p.259). To gain a deeper understanding of FDI, it is necessary to compare FDI with other forms of foreign investment such as portfolio investment, commercial loans and official flows (Mourao, 2018, p.259). FDI differs from other forms of FDI in that it involves the establishment of a new firm, branch or subsidiary, or the acquisition of a foreign firm and its assets abroad (Alfaro, 2014, p.4).

The acquisition of assets in a foreign market can take place in various ways, such as the construction of a new production plant in the host country known as "green field investment", or through the acquisition of existing firms in the host country also known as a "brownfield" investment or by means of mergers and/or acquisitions (M&A) (Alfaro, 2014, p.4). Compared to mergers and acquisitions, green field investments are more common in developing than in developed countries, but there are also a considerable number of M&A in the form of privatised businesses in developing countries (Alfaro, 2014, p.24). Portfolio investment, on the other hand, refers to the acquisition of stakes in a firm abroad in order to benefit from capital gains such as dividends, but without any actual control in the operation of the firm (Pacific, Sunday and Lucy, 2015, pp.4-5). It should be noted that there is a general preference for FDI over portfolio investments given that they are less volatile and more resilient to changes in economic conditions in the host countries (Prasad, Rogoff, Wei, and Kose, 2005, p.8; Solomon and Ruiz, 2012, p. 181). Furthermore, there are some important terms to be noted in any discussion on FDI, including *parent* firms which refers to entities in the country of origin of the FDI who have control over the facilities in the host countries, who are known as *affiliates* (Alfaro, 2014, p.4).

2.3 THE EVOLUTION OF FDI IN AFRICA

FDI was never considered a desirable option for Africa and was generally regarded by some academics and political thinkers in the 1950s and 1960s as bad for the economic performance of less developed economies (Kok and Ersoy, 2009). FDI only became an option when many developing countries, including some African countries, were faced with low national savings and/or the failure of commercial banks which resulted in the inevitable need for stable sources of foreign direct investment to finance domestic projects (Demirhan and Masca, 2008; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.94). Developing countries rely on FDI to provide capital to enhance production, improve service delivery and to facilitate the transfer of technological knowledge and skills. This explains the emphasis on attracting FDI

as a major development strategy in developing countries (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.94).

The need for foreign capital and the importance of FDI in economic development and growth may account for the period during the 1990s witnessing significant FDI inflows to developing countries, representing 40% of global FDI inflows (Erdal and Tatoglu, 2002). However, despite the large flow of FDI to developing countries in the 1990s, Africa only received 1.9% of global FDI compared to 14.2% received by the Asian region during the same period. This indicates that Africa still lags behind other developing countries in attracting FDI (Anyangwu, 2011; Akwaowo, 2013, p.23). To provide a clearer understanding of FDI inflows to Africa compared to other regions, Table 2.1 below shows FDI inflow according to group of economies or regions for the period 2014 to 2016 with projections made for the year 2017.

Table 2.1: FDI inflows by group of economies and region for 2014-2016 and projection for 2017 (Billions of dollars).

Group of economies/regions	**2014**	**2015**	**2016**	**Projections 2017**
World	1324 US$	1774 US$	1746 US$	1670 to 1870 US$
Developed economies	563	984	1032	940 to 1050
Europe	272	566	533	560
North America	231	390	425	360
Developing economies	704	752	646	660 to 740
Africa	71	61	59	65
Asia	460	524	443	515
Latin America and the Carribbean	170	165	142	130
transition economies	57	38	68	75 to 85
Annual growth rate (percent)				
World	-8	34	-2	(-4 to 7)

Annual growth rate (percent)				
Developed economies	-18	75	5	(-9 to 2)
Europe	-20	108	-6	-5
North America	-15	69	9	-15
Developing economies	4	7	-14	(2 to 15)
Africa	-4	-14	-3	-10
Asia	9	14	-15	-15
Latin America and the Carribbean	-3	-3	-14	-10
Transition economies	-33	-34	81	(10 to 25)

(Source: United Nations Conference on Trade and Development (UNCTAD), 2017, p.4).

Table 2.1 provides details on the extent to which Africa lags behind other developing regions in attracting FDI. The first among developing regions is Asia, then Latin America and the Caribbean countries followed by Africa. Furthermore, in terms of percentage growth rates in FDI inflows, Africa experienced a decline. Africa moved from a 4% decline in FDI inflow in 2014 to a decline of 14% in FDI inflow in 2015, and in 2016 the decline rate improved by 3% indicating major improvement in FDI inflows. China has become one of the world's major investors of FDI capital (Yang, Wang, Wang and Yeh, 2018, p.259) with extensive engagement and a strong presence in most African countries. The following sections will provide a brief discussion on the rise of China from that of a developing country to one of the world's leading countries and will include a discussion on China's growing presence on the African continent.

2.4 THE RISE OF CHINA

To enhance its global competitiveness and to model Asian countries such as Korea and Japan, the Chinese government has provided the necessary support for large Chinese firms to engage in international FDI (Deng, 2009, p.76). With significant flows of FDI in the 1990s, China took the world by surprise and the world felt its impact as it became the leading FDI capital provider among developing countries (Cheung and Suly, 2009, p.336, Deng, 2009, p.79). The "go global" policy introduced in 2002 and the reformation of Chinese economic and foreign policies set the stage for the rise in China's influence as China became one of the world's

largest recipients of FDI and the third highest provider of FDI after the USA and Japan in 2013 (Kolstad and Wiig, 2011, p.27; You and Solomon, 2015, p.249; Yao, et al., 2016, p.55, Yang, et al., 2018, p.259). More specifically, in the three-year period between 2003 and 2006, 142 different countries received FDI from China (Kolstad and Wiig, 2011, p.27). In 2015 China reached its peak when data from China's statistical bulletin revealed US$145.67 billion in Chinese FDI with investments in 188 countries worldwide, representing an 80% global presence (Yang, et al., 2018, p.259). Moreover, Chinese influence abroad is not only limited to investments by Chinese firms abroad but also involves of other types of financial assistance such as loans and other forms of capital flows (Kolstad and Wiig, 2011, p.26).

The accumulation of vast foreign exchange reserves which have been acquired by China from trade surpluses with other countries provides the necessary capital and motivation needed by most Chinese firms – especially state-owned – to invest abroad (You and Solomon, 2015, p.253). The Chinese government not only provides financial support such as low interest loans to firms seeking to engage in FDI (Kragelund, 2009, p.486), but also provides other forms of support such as connections to other foreign governments and financial underwriting (Deng, 2009, p.80). It is interesting to note that China not only promotes Chinese FDI, but also supports other forms of investment such as portfolio investment by offering programmes that control, measure and allow Chinese citizens to invest in various equity markets abroad (Cheung and Suny, 2009, p.336).

2.5 CHINA-AFRICA RELATIONS

A three-day summit in China in November 2006 marked the beginning of a strategic relationship between China and Africa. With over 48 African presidents present and with billboards proclaiming, "Amazing Africa", China's then President Hu Jintao outlined China's plan for strategic partnership and economic cooperation with African countries (Brautigam, 2009, p.1). During the summit, China pledged to double aid to Africa, to provide duty-free exports for African exports, and to set up a fund for investment in Africa and finance trade and infrastructural development in Africa over the following three years (Brautigam, 2009, p.1). This marked a new era for Africa with a significant growth of Chinese FDI in Africa and a generally increased Chinese presence in Africa (Mung, 2008, p.97; Brautigam, 2009, p.2). This strategic relationship between China and Africa, together with increased Chinese FDI, decreased African countries' dependency on the western world and saw an end to the monopoly

enjoyed up to that point by western firms in Africa's development (Kragelund, 2009, p.479). To further illustrate China's growth as a major contributor to FDI growth in Africa among other major FDI providers in Africa, including the USA, Figure 2.1 below illustrates the trends in Chinese FDI inflow to Africa versus United States of America (USA) FDI flows to Africa from 2003 to 2015.

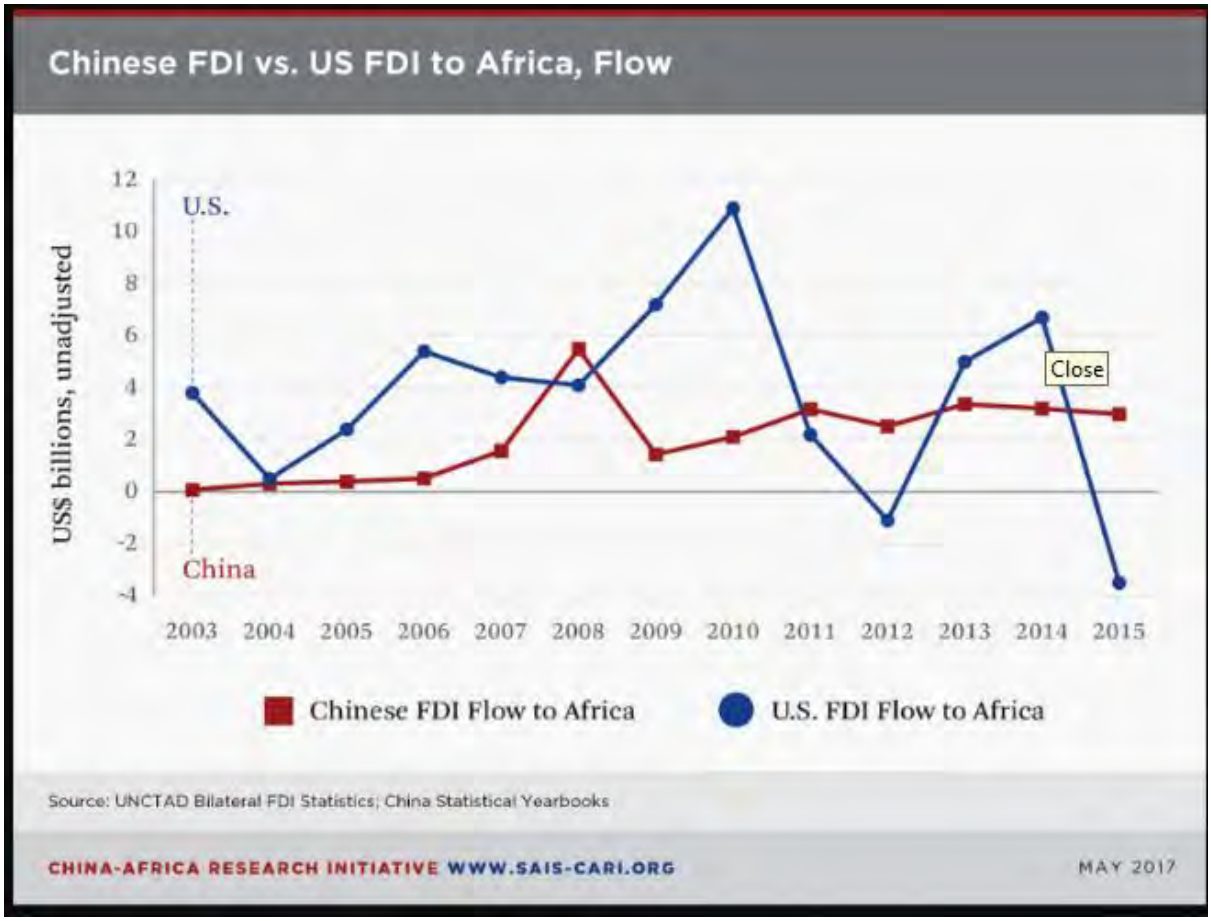

Figure 2.1: Flow of Chinese vs US FDI to Africa from 2003-2015
(Source: China-Africa Research initiative, 2019).

As shown in Figure 2.1, while Chinese FDI inflows to Africa have steadily increased over the years, USA FDI inflows to Africa have been unstable, peaking in 2009 and 2010 followed by massive declines in 2012 and 2015 compared to Chinese FDI inflows. On the other hand, Chinese FDI inflows also witnessed a peak growth in 2007 and 2008 against the USA which may be attributed to the "go global" strategy initiated by the Chinese government and agreements from the China-Africa summit in 2006 – as previously discussed. However, by 2015 Chinese FDI inflows had exceeded USA FDI inflows.

Despite the growth in Chinese FDI inflows to Africa shown in Figure 2.1 and the subsequent significant contribution to infrastructural development in Africa, the relationship between Africa and China has raised concerns, criticism and scepticism and even accusations of neo-colonialist practices by Chinese state-owned investors offering FDI (Shen and Taylor, 2012, p.693; Nghan, 2017). In addition, while the nature of China's involvement in Africa is said to rest on the three pillars of aid, trade and investment (Nghan, 2017), China's aid is generally criticised as simply being a means to gain diplomatic recognition against Taiwan and to counter the influence of the West and the Soviet Union in Africa (Brautigam, 2009, p.34). China's trade and investment is viewed as a means to cement its ties with Africa to ensure China's continued economic growth by retaining access to natural resources and increased exports (Mung, 2008).

Of greater concern is that despite the controversies surrounding China-Africa relations, and the proliferation of Chinese FDI in Africa, only a few studies actually investigate the motives for the extensive Chinese presence in Africa (Mourao, 2018, p.260). It is important, therefore, that Cameroon and other African countries clearly understand the motives for Chinese FDI which is regarded as being due largely to the various advantages provided by the host countries (Nayak and Choudhury, 2014). To better understand the importance and benefits of FDI for Cameroon, a discussion on the economic background of Cameroon is necessary. The section that follows provides a brief discussion on the economic background of Cameroon.

2.6 ECONOMIC BACKGROUND OF CAMEROON AND EVOLUTION OF FDI IN CAMEROON

Cameroon is situated in West Africa and is a member of the Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC) trade zone, comprising six countries including, Gabon, Chad, the Republic of Congo, Equatorial Guinea, Central African Republic and Cameroon (Ghura, 1997, pp.5-6; Akwaowo, 2013, p.18). This zone uses a common currency known as the CFA Franc, – "Communaute Financier en Afrique centrale" – and enjoyed a fixed exchange rate from 1948 until 1994 when the currency was devalued and thereafter was subject to fluctuation against other major currencies (Ghura, 1997, pp.5-6). Until 1978 agriculture was the country's main investment and driver of the country's economic development and growth, followed by fossil fuels, forestry and fishing (Ghura, 1997, p.6). The exploitation of the national oil reserves has proved to be pivotal for Cameroon's economic performance and its subsequent investment policy and led to an economic boom accompanied by significant

increases in the country's investment/GDP ratio (Ghura, 1997, p.6). To ensure consistent economic growth, the government established and subsidised marketing boards, public enterprises and agencies in various economic sectors (Ghura, 1997, p.6). The marketing boards were essential as the government regulated external trade and administered import licences through the marketing boards (Ghura, 1997, p.11). To ensure domestic economic growth, the government placed restrictions on the quantities of imported goods that competed with domestic goods and imposed stringent controls on general price levels and interest rates (Ghura, 1997, p11).

Despite the measures taken to ensure continuous economic development and growth, the country experienced a major crisis during the period 1986 to 1993 when the price of crude oil and major Cameroonian agricultural export crops dropped significantly. The country survived the crisis due to the appreciation of the CFA Franc and inflation triggered by expansionary fiscal policies (Ghura, 1997, p.11). To rescue the economy, the government made several adjustments to its fiscal and monetary strategies (Ghura, 1997, p.14). Unfortunately, these measures failed to restore the economy to its previously stable state (Ghura, 1997, p.14). Finally, in 1994, the CEMAC zone decided to devalue the Franc in order to enhance the external competitiveness of their goods. Additionally, Cameroon also tightened its fiscal policy, privatised some public enterprises, and restructured its banking sector (Ghura, 1997, p.14). While these rescue measures resulted in considerable improvements to Cameroon's external competitiveness, increased trade and improved GDP (Ghura, 1997, p.14; Zisuh, 2001, p.5; Khan and Baye, 2008, p.1), they were not enough to address the prevailing problems and the country still struggled with various economic and political crises (Fongha, 2009, p.56; Akwaowo, 2013, p.18). Furthermore, the country had inadequate funds to achieve the Millennium Development Goals (MDG) by 2015, or to meet the deadline set by the United Nations to accomplish these goals (Akwaowo, 2013, p.25). The government of Cameroon realised that boosting its FDI inflow would raise sufficient funds to finance the MDG projects (Akwaowo, 2013, p.25).

After 1989 this new perspective and shift towards FDI led to significant reformation and reduction in taxes and policies (Njong, 2008, cited in Akwaowo, 2013, p.21). Some of the policies formulated to attract FDI included, the Investment Code of 1990, amended in 1994, the amendment of "the Patent Right Act" in February of 1999 (Forgha, 2009, p.55; Njong, 2008 cited in Akwaowo, 2013, p.21). In addition, the creation of the National Industrial Free

Trade Zone in 1991 provided zone users with corporate tax holidays and no controls on exchange rate or profit repatriation (Zisuh, 2001, p.4), and the investment code management unit provided certain tax concessions (Zisuh, 2001, pp.3-4). In 2001, parliament passed an investment charter, which included undertakings by the government to ensure justice, fight corruption, assure the safety of investors and their properties and to eradicate all forms of bureaucracy and discrimination (Zisuh, 2001, p.4).

By 2009, due to the continued efforts of the government to attract more FDI, the country had received and welcomed significant FDI (Akwaowo, 2013, p.19). In fact, in 2009, the annual average FDI flow into Cameroon reached a peak of US$ 337 million (Akwaowo, 2013, p.21). France and the USA became Cameroon's major FDI providers (Khan and Baye, 2008, p.2; Akwaowo, 2013, p.22), with one of the USA's major investments in sub-Saharan Africa, being the Chad-Cameroon pipeline which runs from Chad's Doba oil field (Forgha, Ngong and Lionel, 2016, p.1). Cameroon also received FDI from China, South Korea, South Africa, India and Morocco all making considerable investments in Cameroon (Forgha, Ngong and Lionel, 2016, p.2). To further illustrate the trends in FDI inflows to Cameroon, Figure 2.2 below illustrates the inward FDI flow to Cameroon from 1980 to 2015.

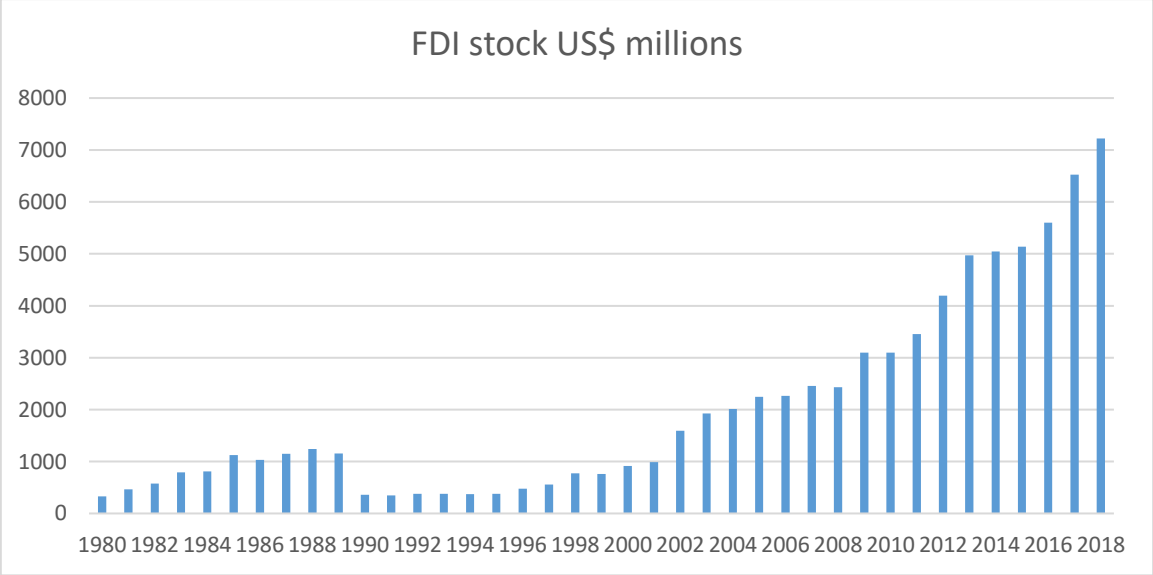

Figure 2.2: Inward FDI stock in Cameroon from 1980 to 2015, in USD dollars million at current prices **(Source:** United Nations Conference on Trade and Development statistics (UNCTADSTAT, 2020).

Figure 2.2 above provides substantial evidence for the discussion above. As seen from the figure, before 1980 FDI inflow was almost non-existent and even after 1980 FDI inflow was

still very limited, attributable mainly to the negative view of FDI during that period, as discussed above. In the 1990s FDI inflow was still scant and this can be attributed to the fact that during this period the government was focused on the development of various economic policies and legal instruments to attract FDI. However, from the 2000s FDI inflows began to increase, which can be attributed to the implementation of the policies and instruments to attract FDI, coupled with the availability of natural resources and political stability.

Despite the country's previous success in attracting FDI inflows, as illustrated in Figure 2.2, in recent times Cameroon has experienced slow growth in FDI inflows (Djomo, et al., 2017, p.17). This is perplexing given Cameroon's potential to attract FDI based on the abundance of natural resources and its strategic positioning in Central Africa which provides access to other central African countries (Khan and Bamou, 2006, p.81; Nghan, 2017). This situation poses a severe challenge for Cameroon given its high dependency on FDI to fund economic development (Nghan, 2017). However, there has been recent engagement between China and Cameroon to strengthen ties and to promote FDI growth in Cameroon (Mengjie, 2018). In the light of this renewed engagement, the next section provides a discussion on the evolution of China's relationship with Cameroon.

2.7 CHINA-CAMEROON RELATIONS

Cameroon's diplomatic ties with Taiwan dating back to the 1960s broke down when Cameroon established diplomatic ties with the People's Republic of China on March 26, 1971 (Khan and Baye, 2008, p.3; Marsh, 2019). The establishment of the relationship between China and Cameroon was characterised by official visits by top government officials from both countries, accompanied by approvals for low interest loans by China and the signing of various cooperation agreements (Khan and Baye, 2008, p.3; Marsh, 2019). One such visit was that of the vice president of EXIM bank to Cameroon in 2006, followed by the president of Cameroon's (His Honourable Paul Biya) visit to China in the same year to attend the China-Africa forum (Khan and Baye, 2008, p.3). Cameroon used China's loans to fund various projects including road infrastructure, water supply, power generation, communication and education (Cabestan, 2015, p.13). The cooperation agreements related mostly to matters of trade and investment. Included in the agreements were agreements for the reciprocal protection and promotion of investments signed in 1997 and the agreement for economic and commercial cooperation signed in 2002 (Khan and Baye, 2008, p.3). These agreements have provided

several benefits for both countries, especially in terms of bilateral trade (Khan and Baye, 2008, p.5). For example, Cameroon's exports to China which were extremely limited prior in 1999, rose significantly to more than US$ 123 million in 2000, representing a more than 170% increase in a single year (Khan and Baye, 2008, p.11). This represents an increase in Cameroon's export to China from merely 2.7% in 1999 to 7% in 2000 (Khan and Baye, 2008, p.11). Imports from China also improved significantly from US$ 39 million in 1999 to US$ 144 million in 2005 (Khan and Baye, 2008, p.15). In terms of what constitutes bilateral trade between the two countries, China's imports to Cameroon comprise mainly food (cereal), plastic and rubber materials, chemical products, machinery and other equipment (Khan and Baye, 2008, p.17). Cameroon's exports to China consist mainly of oil, rough wood and products of mining, raw cotton and other crude materials excluding oil (Khan and Baye, 2008, p.13). Thus, China's export of mainly primary products may provide corroboration of Nghan's (2017) study which indicates that Chinese FDI in Cameroon is aimed mainly at the primary sectors in Cameroon. This focus on the primary sectors suggests that resource-seeking (discussed in Chapter 4) may constitute a major motive for Chinese FDI in Cameroon. To illustrate the growth in Chinese FDI in Cameroon, Table 2.2 below shows the stock of Chinese outward FDI in Cameroon from 2004 to 2010.

Table 2.2: Chinese outward FDI stock in Cameroon from 2004-2010 (millions of US$).

Country	2004	2005	2006	2007	2008	2009	2010
Cameroon	6.98	7.87	16.46	18.51	20.34	25.05	59.61

(Source: Statistical Bulletin of China's Outward FDI, 2010).

From Table 2.2 it is evident that even though there has been a steady increase in the stock of Chinese FDI in Cameroon in the period 2004 to 2010, significant growth in the stock of Chinese FDI in Cameroon was only witnessed from 2006 to 2010. This can be attributed to China's commitment at the China-Africa summit in 2006 to increase its investment and involvement with African countries, including Cameroon.

Furthermore, to illustrate the sectors in which Chinese FDI operates in Cameroon, Figure 2.3 below provides an overview of major Chinese projects carried out by Chinese FDI in Cameroon.

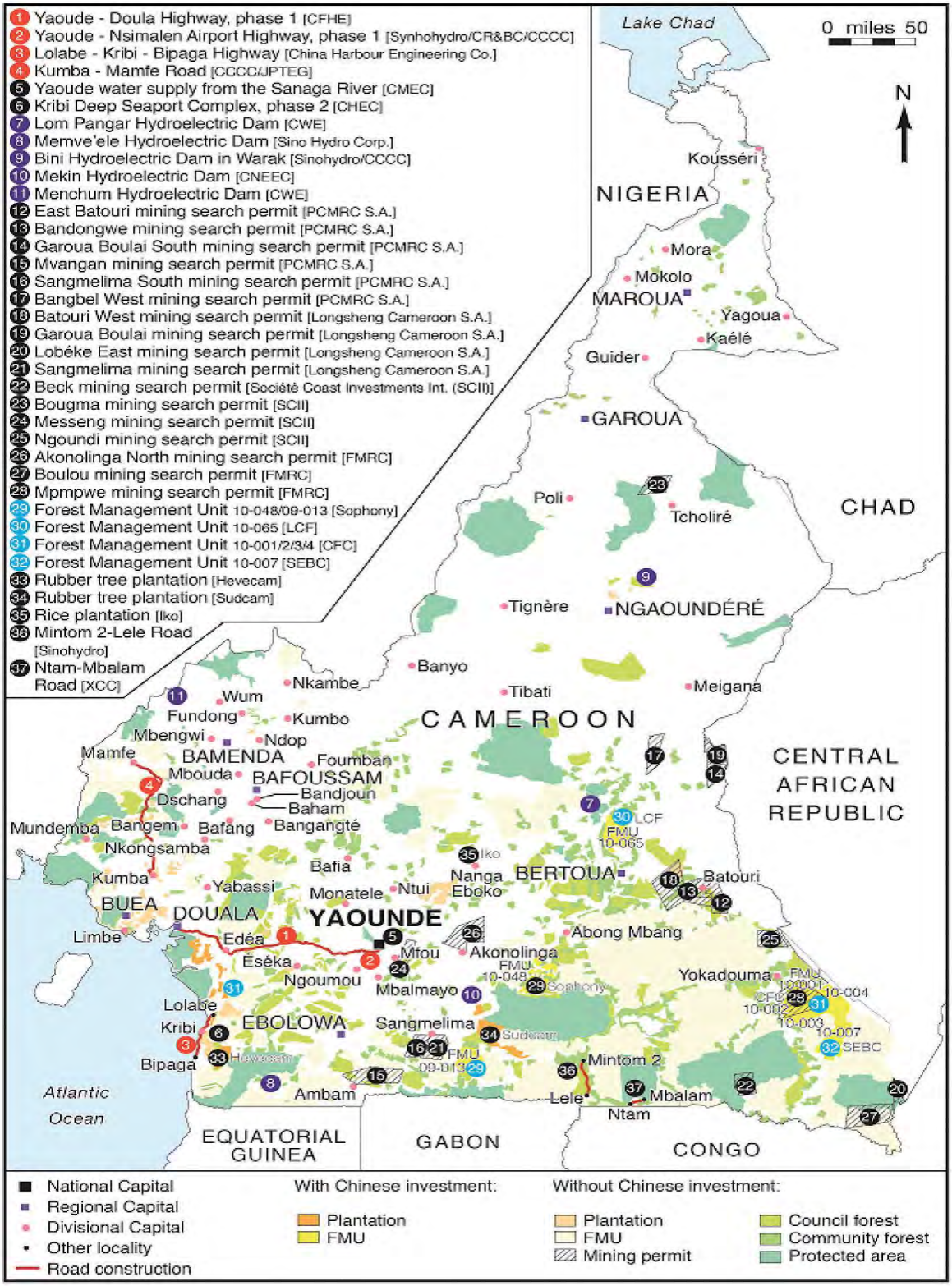

Figure 2.3: Chinese investments in Cameroon in 2018
(**Source:** Mayers, Nguiffo and Assembe-Mvondo, 2019).

From Figure 2.3 above it is evident that China makes significant contributions to Cameroon's infrastructural development, with major road infrastructure, dam construction and seaport construction projects being undertaken by Chinese firms. Figure 2.3 also reveals that there is significant involvement by Chinese firms in the primary sectors of mining, forestry and agriculture in Cameroon.

However, despite what seems to be a very close relationship between China and Africa, which even includes debt cancellation (Marsh, 2019), the relationship has been increasingly strained between the two countries leading to a decrease in Cameroon's exports to China and the dwindling of Chinese FDI in Cameroon (Khan and Baye, 2008, p.1; Cabestan, 2015). Bilateral trade constraints, unnecessary bureaucracy and safety concerns have also been identified as major setbacks for Chinese FDI in Cameroon (Cabestan, 2015, p.18). Additionally, political factors related to bureaucracy and corruption have led to lengthy negotiations, delays in implementation of agreements and lengthy administrative procedures which, when coupled with safety issues such as the kidnap of 10 Chinese workers by Boko Haram in the northern part of the country in May 2014, have also greatly contributed to the decline in Chinese FDI (Cabestan, 2015, p.18; Nghan, 2017). Economic hindrances in terms of poor infrastructure, high dependency on commodities (such as wood or crude oil), and ineffective marketing systems have also limited Chinese investment in Cameroon (Nghan, 2017). All these obstacles emphasise the importance of identifying the challenges faced by Chinese FDI in Cameroon.

Other sources of tension include the availability of cheap imported electronics and clothing from China, which has led to the closure of many domestic industries and businesses due to an inability to compete with the cheaper imports from China (Amin, 2015, p.173). In addition, there have been recent accusations by the Cameroonian coordinator of the Forest and Rural Development Association (FODER) that Chinese nationals are mining gold illegally in the eastern region of Cameroon using inappropriate mining methods and heavy machinery resulting in the destruction of farmlands (Marsh, 2019). Furthermore, the Cameroonian coordinator of FODER has also accused Chinese mining firms of abandoning more than 250 excavations between 2015 and 2018. The neglect to rehabilitate mining areas triggered landslides in the area which led to the deaths of more than 100 people (Marsh, 2019). In addition to these assertions, Chinese FDI in Cameroon has drawn much criticism due to a lack of social responsibility in the feasibility of their investments and the poor wages paid to local workers (Nghan, 2017).

At a meeting between China's premier Li Keqiang and Cameroon's president Paul Biya on the 23 March 2018 in Beijing, China attempted to repair its strained relations with Cameroon, declaring its intention to strengthen its ties with Cameroon by means of trade expansion and cooperation, and by supporting the establishment of more Chinese firms in Cameroon (Mengjie, 2018). Cameroon's President Paul Biya expressed gratitude towards China's contribution in Cameroon's economic and social development and openly declared his willingness to foster Cameroon's bilateral relations with China (Mengjie, 2018). The meeting concluded with the signing of agreements on technological and industrial cooperation, on human resource development, and on infrastructure construction (Mengjie, 2018). The intention of China to rebuild its relationship with Cameroon provides the context and motivation for this study with due consideration for the assertions and criticisms against Chinese involvement in Cameroon, as highlighted in the previous paragraphs.

To inform better policy development, it is important for Cameroon to clearly understand the macro-locational determinants (discussed in Chapter 3) and motives of Chinese FDI (discussed in chapter 4), as well the major challenges still faced by Chinese FDI. Furthermore, it is important for Cameroon to understand that its relationship with China, as is the case of any relationship between national states, carries both positive and negative implications for each country. Thus, it is asserted by the researcher that if Cameroon better understands the determinants and motives of Chinese FDI, as well as the challenges faced by Chinese FDIs in Cameroon, they will be able to strategise more effectively and formulate ways of minimising the negative aspects of FDI in the country and maximise the benefits provided by Chinese FDI. This assertion corroborates the findings of Khan and Baye (2008, p.5) as far back as 2008, and of Amin (2015, p.171) in 2015, that advancement in Cameroon's economic cooperation with China has significant potential benefits for Cameroon, but also poses risks and challenges and until all the relevant benefits, risks and challenges are properly assessed, to ensure the best possible outcome for all parties. Neglecting to carefully assess and consider both the positive and negative factors involved, poses the potential risk of huge losses for Cameroon and continued protest against its relations with China.

Therefore, in an attempt to understand and identify possible determinants and motives of Chinese FDI in Cameroon, it is of utmost importance to review various FDI theories. The following section provides further information on certain FDI theories.

2.8 FDI THEORIES

Erdal and Tatoglu (2002, p.23) state that in the late 1950s the topic of FDI began to receive the attention of researchers and several theories were proposed to explain the existence of FDI. These theories only became meaningful when early scholars found empirical and theoretical evidence for the reasons why some firms decide to invest in foreign markets, the conditions under which firms can engage in FDI and why firms engage in different types of FDI. As discussed in Chapter 4, amongst these reasons are resource-, market-, efficiency- and strategic asset-seeking. (Kuşluvan**,** 1998, p.164; Oehler-Şincai, 2011, p.36). A clear and thorough knowledge of theories on FDI is required to identify and understand the determinants of and motives for FDI (Nielsen, Asmussen and Weatherall, 2017, p.64). Of particular relevance are the theories of Buckley, et al. (2007) and Drogendijk and Blomkvist (2013, p.83) who assert that a theoretical review of studies focused on Chinese FDI in Africa may provide the necessary information to identify any mismatch between theory and practice. Thus, a theoretical contribution of this research study will be to determine whether the locational determinants and motives of Chinese FDIs in Cameroon follow conventional theories on FDIs.

Furthermore, given the great complexity of FDI (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95), it is unlikely that a single theory can explain the macro-locational determinants and motives for FDI (Faeth, 2009, p.165). The researcher will review various theories to explain the macro-locational determinants and motives for FDI. The sections that follow in this chapter explain the following FDI theories: the industrial organisation theory, the cost of capital theory, the matrix of *Firm Specific Advantages – Country Specific Advantages* (FSA-CSA) at the Multinational Enterprise (MNE) level, the eclectic paradigm, the internalisation theory, Investment Development Path Theory (IDPT) , the Macdougall-Kemp hypothesis, the location-specific theory, Aliber's hypothesis, Froot and Stein's model, the product cycle theory, and the theory of competitive advantage.

2.8.1 Industrial organisation theory

Stephen Herbert Hymer was the first economist to investigate the motives or reasons for FDI in his doctoral thesis in 1960 (Dunning and Pitelis, 2008, p.167). Hymer (1976, cited in Nielsen, Asmussen and Weatherall, 2017, p.64) used the variations in worth of assets in different markets to explain the existence of FDI. His theory suggests that because the worth of certain

assets is higher in foreign markets than in local markets, this enables firms to compete efficiently in unfamiliar foreign local markets. Hymer also specified that the main reason for the internalisation of markets by FDI is to exploit monopoly advantages and diversify risk, especially that of structural market failure (Oehler-Şincai, 2011, p.36). Furthermore, Hymer asserts that given any indication of market imperfection, the normal response by a multinational firm would be to internationalise its market through FDI to develop and exploit the advantages specifically owned by the firm (Oehler-Şincai, 2011, p.36). Hymer's assertion implies that market imperfections are one of the major explanations for the existence of FDI (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95. This also provides validation for Hymer's naming of FDIs as "creatures of market imperfections" (Oehler-Şincai, 2011, p.36).

2.8.2 Cost of capital theory

The cost of capital theory suggests that firms engage in FDI depending on the cost at which they acquire capital. Based on this theory large firms, due to their structure and size, are able to acquire capital at a cheaper cost than smaller firms are able to, and hence are more likely to engage in FDI activities (Alfaro, 2014, p.6). Therefore, large firms can move capital from locations with low returns on capital to those that provide the highest return on capital. However, the limitation of this theory is that it fails to acknowledge that a firm can still benefit from lower cost of production by making a portfolio investment in a foreign market rather than investing in a foreign market through FDI (Alfaro, 2014, p.6). See difference between portfolio investment and FDI in Section 2.2.

2.8.3 The matrix of firm specific advantages-country specific advantages (FSA-CSA) at the Multinational Enterprise (MNE) level.

To explain the motives for FDI, Alan Rugman developed the matrix of *firm specific advantages – country specific advantages* (FSA-CSA) framework (Rugman, 2010, p.8; Oehler-Şincai, 2011, p.37). According to this framework, the motives for FDI are attributable to firm-specific advantages (FSA) and country-specific advantages (CSA) (Rugman, 2010, p.8 Oehler-Şincai, 2011, p.37; Popovici and Călin, 2014, p.8). Regarding FSA, firms engage in FDI to better exploit their FSA such as innovation competencies and management skills to gain competitive advantage in terms of technologies, knowledge, managerial or marketing abilities (Rugman and Li, 2007, p.334; Oehler-Şincai, 2011, p.37; Hillemann and Gestrin, 2016, p.768). The

second reason why firms engage in FDI relates to CSA, which are the specific benefits or advantages provided by the host countries and include the availability of natural resources, enabling public policies, the existence of trade barriers or trade openness, the size of labour market and quality of labour resources, and cultural factors (Oehler-Şincai, 2011, p.37; Popovici and Călin, 2014, p.8).

2.8.4 The eclectic paradigm

Formulated by building on the matrix developed by Alan Rugman (Oehler-Şincai, 2011, p.37), the eclectic paradigm is the most relevant and reliable theory for any research on FDI (Chiu, Lo and Susy, 2015, p.128; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.96 Sharmiladevi, 2017, p.47). More specifically, the eclectic paradigm provides a framework for the understanding of the macro-locational factors relevant for FDI as well as the motives for FDI (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.96). This theory was developed by John Dunning using three explanatory factors for FDI. These are: ownership advantage, location advantage and internalisation (Dunning, 2015, pp.3-5; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.96), and will be discussed in the following sections.

- **Ownership advantage**

According to Chiu, Lo and Susy (2015, p. 129) ownership advantage refers to the various intangible capabilities/resources possessed by the firm which enhance its competitive strength against domestic firms. Ownership advantages include machines, access to capital, availability of skilled labour, production processes, patents, knowledge, and managerial skills which firms may use to operate in foreign markets (Nielsen, Asmussen and Weatherall, 2017, p.63; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95). The eclectic paradigm suggests that considering the fact that FDI creates market imperfections and benefits from market imperfections, firms will engage in FDI to make full use of ownership advantages to benefit from such market imperfections (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95).

- **Location advantage**

The location choice for FDI has undergone and continues to undergo serious examination by various researchers, according to Nielsen, Asmussen and Weatherall (2017, p.62). The location decision is critical for any FDI (Bartels, Napolitano and Tissi, 2014, p.516), as this determines where it would be best to locate an FDI to optimise the likelihood of success (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95). The significance of the location of an FDI is based on the belief that the performance of the FDI is highly dependent on the location of the FDI (Nielsen, Asmussen and Weatherall, 2017, p.65). Dunning argues that the selection of a certain location by an FDI depends not only on the availability of natural resources but also on a host of other socio-political and economic factors including a stable political environment, the size of the market, the stage of economic development and potential for future growth, affordable transportation, a favourable competitive environment and sound business policies (Popovici and Călin, 2014, p.10; Nielsen, Asmussen and Weatherall, 2017, p.65; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.96). Considering the importance of location advantage, it is critical for developing countries such as Cameroon to increase their location advantage to attract FDI (Chiu, Lo and Susy, 2015, p.131). The next section will discuss internalisation as the last element of the eclectic paradigm.

- **Internalisation**

Internalisation of transaction in terms of FDI means exploiting ownership advantages efficiently while retaining control over these advantages rather than transferring them to others (Dunning, 2015, p.3; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.96). Internalisation is related principally to the best mode of entry for an FDI (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.96). Dunning argues that in the event of market imperfections, it is preferable for a firm to exploit its specific advantages or ownership advantages, rather than to grant a licence for another firm to do so (Dunning, 2015, p.3; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.96). This is because in the event of market imperfection, the firm can maximise its ownership advantage and retain control of its ownership advantage.

When studying the eclectic paradigm, it is suggested that all three elements must be viewed as interconnected as FDI can only be an option for a firm when all three elements of ownership advantage, location advantage and internalisation are favourable (Dunning, 2015, p.4; Nielsen, Asmussen and Weatherall, 2017, p.65; Sharmiladevi, 2017, p.49). For example, if only ownership advantage is present only then can the firm service a foreign market through exports or licensing (UNCTAD, 1998, p.89; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.96). Whereas, if ownership advantage and internalisation are both favourable, then the firms will engage in FDI on condition that the location advantage is present (UNCTAD, 1998, P.89; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.65). Therefore, these three elements do not only explain the main reasons for the existence of FDI, but also provide the essential prerequisites for the success of the FDI in a foreign market (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95). The eclectic paradigm basically identifies two sets of determinants of FDI – the micro and macro determinants. The micro determinants are firm specific determinants of FDI and include the ownership advantage and internalisation. The macro determinants relate to the country-specific determinants, referred to as the locational advantage in the host country Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95).

Regarding motive, the eclectic paradigm distinguishes between four types of FDI, namely, resource-seeking, market-seeking, efficiency- and strategic asset-seeking (discussed in Chapter 4) based on the motivation for FDI (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95). The first two motives, resource- and market-seeking, benefit from location advantages by sourcing natural resources abroad that are not available in their own countries, and by gaining access to new markets abroad. The other two motives, efficiency- and strategic asset-seeking, are aimed at maximising location advantages while exploiting and enhancing the firm's ownership advantages. The goal of efficiency-seeking is the reduction in cost of production with the use of new technologies or other cost savings in production. Strategic asset-seeking involves acquiring strategic assets abroad such as new technologies, brands or distribution channels (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95). Thus, with the identified importance of certain locational advantages for specific motives explained by the eclectic paradigm. The eclectic paradigm thus recognises the importance of certain macro-locational determinants of FDI for achieving specific motives. In conclusion, it is worth noting that the key strength of the eclectic paradigm is that it identifies the

determinants of FDI inflows, the key motives for undertaking FDI by the investors and the macro-locational determinants important for each of the identified motives (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95).

The eclectic paradigm is a valuable method for the identification of the determinants of and motivations for FDI. Another important theory on FDI is the internalisation theory, from which the internalisation element of the eclectic paradigm was deduced.

2.8.5 The internalisation theory

Originating from Hymer's thesis, the internalisation theory was developed by Peter J. Buckley and Mark C. Casson in 1976 in their paper, "The Future of Multinational Enterprise" (Buckley and Casson, 2009, p. 1563; Oehler-Şincai, 2011, p.37). According to this theory, FDI is only advisable if the firm's competitive advantage in intermediate products in foreign markets is underpinned by sound and efficient internal control because market imperfections in the foreign market inevitably lead to other costs such as information, transaction and enforcement costs (Nielsen, Asmussen and Weatherall, 2017, p.65). In the absence of robust internal controls, an alternative for the firm to internationalise would be to license its rights to a domestic firm in the foreign market which could then apply this acquired know-how without the Liabilities of Foreignness (LOF) cost (Nielsen, Asmussen and Weatherall, 2017, p.65). The LOF refers to the extra cost incurred by an FDI in a foreign country as a result of conducting business that is "over and above those of domestic rival firms" (Hymer, 1976, cited in Nielsen, Asmussen and Weatherall, 2017, p.65). Essentially, the internal controls implemented by a firm will enable it to exploit its firm-specific advantage in response to the pressures from the various types of market imperfection (Oehler-Şincai, 2011, p.37).

2.8.6 Investment Development Path Theory (IDPT)

The investment development path theory was developed by John Dunning in 1981 and has since been revised several times without any change to its original philosophy (Verma and Brennan, 2011, p.75; Abodakpi, 2015, p.64). The theory asserts that increases in a country's level of economic development, measured by the Gross Domestic Product (GDP) per capita (PGDP), result in changes in the country's Net Outward Investment Position (NOIP), defined as the "difference between outward and inward investments" (Dunning, 1981, cited in Verma

and Brennan, 2011, p.75). Essentially, the IDPT suggests that countries receive Inward Foreign Direct Investment (IFDI) and provide Outward Foreign Direct Investment (OFDI) at different stages of their development, inspired by different motives (Yao, et al., 2016, p.57). The NOIP of a country is usually assumed to be negative during the early stages of development and gradually becomes positive as the country becomes more developed reaching a zero value at the later stages when a country becomes fully developed (Verma and Brennan, 2011, p.75). According to the IDPT, countries undergo six stages of development accompanied by different levels of PGDP and NOIP. These stages are discussed below.

During the first stage of development, the PGDP of a country is usually below US$ 1,000 at 1994 prices. This usually refers to the least developed countries whose NOIP at this level is negative as they mostly receive inward FDI to exploit their natural resources, and these countries have minimal or no outward FDI (Verma and Brennan, 2011, p.76; Yao, et al., 2016, p.57). Countries at this stage usually offer limited locational advantages, are characterised by small market sizes, have a lack of infrastructural facilities and poor human capital and the economic environment is unstable (Verma and Brennan, 2011, p.76).

The second stage of the PGDP is slightly improved from the first stage and is between US$ 1,000 and US$ 3,000 at 1994 prices. The NOIP decreases as IFDI rises disproportionately rapidly compared the country's GDP growth. OFDI starts surfacing, due to international experience gained by some firms in the first stage. At this stage, due largely to improvements in the country's locational advantage, the country receives IFDI motivated mostly by resource-seeking or market-seeking (Verma and Brennan, 2011, p.76).

The third stage of development, on the other hand, often refers to developing countries and their PGDP is usually between US$ 3,000 and US$ 10,000 at 1994 prices. The NOIP grows in this stage due to increases in OFDI, mostly motivated by the availability of natural resources and markets (Yao et al., 2016) while the growth in IFDI slows down. This stage is also known as an intermediary stage and during this stage countries witness an increase in per capita income, significant growth in industrialisation and a high demand for superior quality goods (Verma and Brennan, 2011, p.76).

At the fourth stage, the PGDP exceeds US$ 10,000 at 1994 prices and the NOIP becomes more positive as OFDI equals or exceeds IFDI (Verma and Brennan, 2011, p.76; Abodakpi, 2015,

p.66). Firms in countries at this stage of development will engage in OFDI due to internal firm-specific advantages, usually in terms of the technology it has acquired, which enables it to gain a comparative advantage. At the fourth stage of development, therefore, firms from these countries will engage in OFDI primarily to seek strategic assets available in other locations which, when combined with firm-specific advantage, will enhance the competitiveness of the firm (Yao, et al., 2016, p.57).

The fifth and final stage is often referred to the level of economic development in most advanced countries including the USA, the UK and Japan. The NOIP at this stage of development is usually around zero, indicating very high levels of both IFDI and OFDI (Verma and Brennan, 2011, p.76).

Based on the predictions of the IDPT discussed above, the most likely motivation for Chinese OFDI in Cameroon are those of resource-seeking or market-seeking (discussion in Chapter 4) considering Cameroon's abundance of natural resources and access to other markets in central Africa (Akwaowo, 2013, p.18). The predicted FDI motives of Chinese firms are also based on the researcher's assertion that Cameroon may likely be at the second stage of the IDPT, due to high levels of IFDI in the country compared to OFDI.

2.8.7 MacDougall-Kemp hypothesis

The MacDougall-Kemp hypothesis is an FDI theory that was initially developed by MacDougall (1958) and later elaborated upon by Kemp (1964) and explains the reason for FDI, based on two main assumptions (Nayak and Choudhury, 2014, p.3; Ezeji, Promise and Uzoamaka, 2015, p.8). The first assumption is simply that in the process of FDI there are two parties involved – the investing country and the host country. Secondly, the price of capital is equal to its marginal productivity. Based on these assumptions, the theory predicts that capital will move freely from a capital-abundant country to a capital-scarce country and, in so doing, the marginal productivity of capital will equalise between both countries (Nayak and Choudhury, 2014, p.3; Ezeji, Promise and Uzoamaka, 2015, p.8). This indicates that there is an efficient use of resources which leads to the increased welfare of both countries due to an overall increase in output levels of both countries (Ezeji, Promise and Uzoamaka, 2015, p.8). An increase in general welfare in the of the investing country is possible as long as there is repatriation of capital gains from the host country back to the investing country to ensure that

there is no decrease in the national income of the investing country (Nayak and Choudhury, 2014, p.3; Ezeji, Promise and Uzoamaka, 2015, p.8). Capital gains is measured as the marginal productivity of capital multiplied by the amount of FDI. Therefore, the investing country will continue to invest in the host country provided that the amount of capital gains from FDI is greater than the amount of capital loss through FDI. This implies the investing country will benefit from an increase in national income compared to income prior to engaging in FDI (Sharan, 2010).

2.8.8 Location-specific theory

The location-specific theory was developed by Hood and Young (1979), cited in Ezeji, Promise and Uzoamaka (2015, p.8) who explain the existence of FDI based mainly on location-specific advantages. Hood and Young (1979) cited in Ezeji, Promise and Uzoamaka (2015, p.8) state that FDI tends to favour locations offering benefits such as low labour costs and ready availability of natural resources and avoids complicated and obstructive locations. They add that firms would only move to locations with obstacles, such as trade barriers which restrict imports, if this would benefit their FDI (Sharan, 2010).

2.8.9 Aliber's hypothesis

Aliber's hypothesis explains the rationale for FDI based on the imperfect market for foreign exchange and capital (Sharan, 2010). According to this theory, firms from countries with strong currencies will move to countries with weak currencies, given that the income in countries with weak currencies faces higher exchange rate risk and the income flows from countries with stronger currencies are valued at a higher exchange rate (Sharan, 2010). This means that firms from countries with stronger currencies will move to those with weaker currencies in order to benefit from high market capitalisation rates (Nayak and Choudhury, 2014, p.11). The credibility of this theory is enhanced due to it being empirically tested by Aliber and the findings have been found to be reliable when examining FDI in countries including Canada, USA and the UK (Nayak and Choudhury, 2014, p.11). One of the weaknesses of this theory is that it fails to explain why FDI takes place between countries where currencies are of equal strength (Nayak and Choudhury, 2014, p.11). The theory also fails to explain the existence of FDI from a country with a weak currency to countries with a strong currency, the case of

Chinese FDI in the USA being a good example of such a scenario (Nayak and Choudhury, 2014, p.12).

2.8.10 Froot and Stein's model

Froot and Stein (1989) also developed a theoretical model based on exchange rates to explain the existence of FDI (Froot and Stein, 1991, p.1191). However, their argument is based on the fact that when the real value of the currency of a country depreciates, there is also a depreciation of the wealth of both domestic and foreign residents of the country, making it easier for foreign firms to acquire assets in the country at a cheaper rate (Froot and Stein, 1991, p.1191). Hence, FDI will tend to move to those countries where the real value of the currency of the country has depreciated to benefit from the acquisition of wealth at a lower cost. This depreciation in exchange rate and wealth has been found by Froot and Stein (1991, p.1215) to be one of the major determinants of FDI flows by most firms from the USA.

2.8.11 The product cycle theory

This theory concurs with other theories based on imperfect market conditions and monopolistic advantages, such as Hymer's theory. The product life cycle theory by Vernon (1966; 1979) postulates that the level of technological innovation by firms in terms of designing and creating new products may explain the engagement of firms in FDI (Kuşluvan, 1998, p.170). According to Buckley, (1985, p.7) these firms' engagement in FDI is based on four assumptions. Firstly, that "products undergo predictable changes in production and marketing." Secondly, that "restricted information is available on technology." Thirdly, that "production process changes over time and economies of scale is prevalent." Fourthly, that "tastes differ according to income and products can be standardised at various income levels".

The theory also describes three stages in the lifespan of a product, namely the *new product,* the *maturing product* and the *standardised product* stages (Kuşluvan, 1998, p.170; Popovici and Călin, 2014, p.7). The first stage usually occurs in large markets and in industries with high labour costs (Kuşluvan, 1998, p.170). During this stage a *new product* is most likely to evolve due to potential necessary modifications to the product given the initial unfamiliarity and slow sales growth of new products in general and the demand for products being mainly dependent on inelastic price conditions (Kuşluvan, 1998, p.170; Popovici and Călin, 2014, p.7). Feedback

from customers frequently results in product modifications and the evolution of a product acceptable to the local market (Kuşluvan, 1998, p.170). The second stage in the product lifecycle, the *maturing product,* is accompanied by increased sales, increased competition with new entrants and specialisation in different market segments of the product (Kuşluvan, 1998, p.170). At this stage, many firms are faced with a decision regarding the location of the business as the cost of production becomes critical as many firms seek to achieve economies of scale (Kuşluvan, 1998, p.170) and must decide on whether to continue exporting to other countries or to invest in other advanced countries (Kuşluvan, 1998, p.170; Popovici and Călin, 2014, p.7). The decision relates to factors such as the cost of production, the degree of trade openness, the threat of new entrants in the host country, the degree of patent and tariff protection and the political environment (Kuşluvan, 1998, p.170). Therefore, to compete efficiently with rival firms in host countries, firms will engage in FDI at this stage in order to eliminate transportation costs and tariffs (Sharan, 2010). Vernon further explains that at this level, due to the threat of new entrants into the market by competitors in the home country or host country, more advanced countries are likely to receive FDI (Kuşluvan, 1998, p.170). During the last stage of the product lifecycle, less developed countries will be more attractive for FDI, as the product is now *standardised* and the need for low cost unskilled labour is more important than the need for the highly skilled labour required during the innovation and growth stages (Han and Brewer, 1987, p.92; Kuşluvan, 1998, p.170). At this stage most firms prefer to open subsidiaries in other countries to source cheaper inputs of production (Popovici and Călin, 2014, p.7).

From the above discussion, it can be deduced that, the product cycle theory suggests that FDI is a strategy to benefit from market imperfections through monopoly. Furthermore, the product life cycle also suggest that the existence of FDI is mainly accounted for by technological innovation and the search for new markets (Morgan and Katsikeas, 1997, p.69).

One of the limitations of the theory is the fact that it fails to take into consideration the comparative advantage in different countries during the first stage of production (Rugman et al., 1985, cited in Kuşluvan, 1998, p.171). It has also been noted that products are continuously adapted to suit the needs of different markets and not suitable only for certain markets (Buckley and Casson, 1976; Kuşluvan, 1998, p.170).

2.8.12 Theory of competitive advantage

The reasons for the differences in competitive advantage by countries in certain industries provides the basis for the theory of competitive advantage. Porter (1990, p.78) specifically investigated the reasons why firms seek investments in certain locations, and why firms in certain locations are more innovative and are able to gain competitive advantage over rival firms. Porter's (1990, p.78) analysis of a four-year survey of the top ten trading nations at the time, resulted in Porter's so-called "diamonds" explaining the location decisions for most firms. In other words, the "diamonds" explain the sources of the competitive advantage of nations and represent the determinants of national competitive advantage. Explanations of each of the determinants of national competitive advantage, namely, factor conditions, demand conditions, related and supporting industries, organisational strategy, structure and rivalry, follow.

1) Factor conditions refer to the factors of production available in a host country required to compete efficiently in a given industry and include land, labour, capital, natural resources and infrastructure. The theory postulates that the flow of trade is determined by these factor conditions in a country (Porter, 1990, p.77) where a country will export goods which are mainly produced using the most abundant local factors of production (Porter, 1990, p.79). However, in the case of more sophisticated industries, such as knowledge-intensive industries which are usually the most successful, the most important factors of production are those created and not naturally endowed, such as highly specialised skilled labour (Porter, 1990, p.79).
2) Demand conditions refer to the nature of domestic demand for the industry's goods and services. Porter contends that the composition and character of domestic demand significantly influences the way firms perceive, interpret and respond to local demand. Thus, countries gain a competitive advantage in industries where the domestic demand provides firms with clear early signals of the emerging needs of buyers, and where demanding buyers pressurise firms to be more innovative and thus competitive advantage over foreign competitors is achieved. The size and character of domestic demand are important factors for the competitiveness of a host country (Porter, 1990, p.82).
3) Related and supporting industries refer to the availability of internationally competitive related industries in a country such as suppliers. Competitive advantage of industries in

a country increases when related and supporting industries such as domestic internationally competitive suppliers provide the most cost-effective input in an efficient, timely, and preferential way (Porter, 1990, p.82). Furthermore, with domestic competition in related industries, the exchange of information and technological know-how is rapidly increasing the likelihood of acceptance of new technology and practices in order to enhance innovation (Porter, 1990, p.82).

Firm strategy, structure and rivalry refer to country's policies on how firms are created, organised and managed, as well as the nature of domestic competition (Porter, 1990, p.78). Porter argues that the conditions and context of the national environment determine the way firms are created, organised and managed as well as the extent of prevailing domestic rivalry. Therefore, competitiveness in an industry is dependent on a combination of management practices, a suitable organisational structure favoured by the country, and sources of competitive advantage provided by the country (Porter, 1990, p.83). See Figure 2.4 for a summary of Porter's determinants of national competitive advantage.

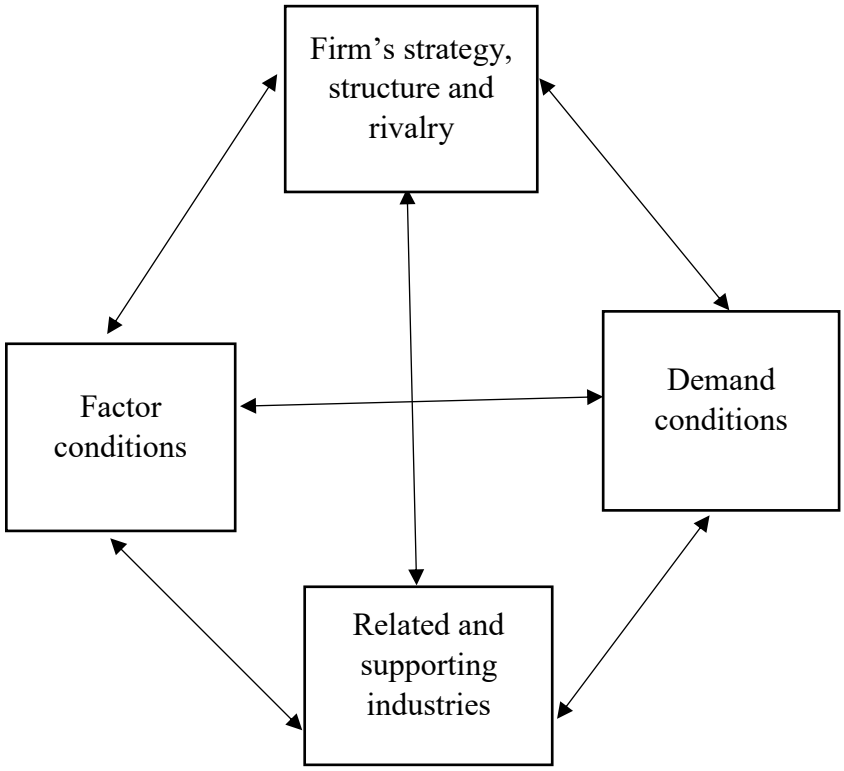

Figure 2.4: Determinants of national competitive advantage
(**Source:** Porter, 1990, p.77).

Figure 2.4 above illustrates the four determinants of national competitiveness – the demand conditions, related and supporting industries and the firm's strategy, structure and rivalry – factor conditions which create a national environment which enables the creation of firms and competition amongst firms (Porter, 1990, p.77). According to Porter (1990, p.77), firms gain competitive advantage in a host country when the national environment created by the four determinants shown in Figure 2.4 offer three possible outcomes. Firstly, when the national environment allows for the most rapid accumulation of resources and skills by firms. Secondly, when it provides firms with easy access to relevant information on products and processes. Lastly, when it pressurises firms to innovate and invest, as this will provide them not only with competitive advantage but also enable the improvement of these advantages over time (Porter, 1990, p.77). These possibilities can therefore be viewed as the macro-locational advantages that may attract firms to the country.

Given the importance of the level of competitiveness of a country to attract FDI as indicated by the theory of competitive advantage in Section 2.8.12 above. The World Economic Forum's Global Competitive Index (GCI) for Cameroon will be used as a variable of macro-locational determinant of Chinese FDI in Cameroon in this research. The World Economic Forum's GCI, measures the performance of countries and ranks countries according to their level of competitiveness based on the 12 pillars of competitiveness which are deemed to be determinants of long-term economic growth of a country (Schwab, 2018).These pillars include institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, innovation, and business sophistication (Schwab, 2018, p.11). The index ranks the global competitiveness of countries on a score of 1 to 7, with 7 being extremely competitive.

2.9 CHAPTER SUMMARY

Chapter 2 provided the context for this research by introducing the concept of FDI with a discussion on the origin of global FDI and the definition of FDI. It also provided an outline of the evolution of FDI in Africa, from the historical outright rejection of FDI to the current acute dependency on FDI by most African countries. Additional rationale for this research was provided by a brief discussion on the rise of China, explaining China's sudden rise from a developing country to a major international power fostering FDI growth. Information was

provided on China's relationship with Africa which appears to aim to foster development and provide assistance to many African countries. This relationship has, at times, been viewed with suspicion and has been extensively criticised by the media, political leaders and scholars. Considering that this research focuses on Chinese FDI in Cameroon, a discussion on the economic background of Cameroon was provided to indicate the trends in the country's economic development and growth and the economic decision to encourage FDI. Also, a discussion on the trends on FDI in Cameroon was provided to indicate the trends in FDI inflow to Cameroon since the country's decision to encourage FDI. Furthermore, given the specific focus on Chinese FDI in Cameroon, a discussion on China's relations with Cameroon was provided where the nature of the relationship between Cameroon and China was elaborated upon and found to be a somewhat bittersweet relationship. In addition, the discussions on China-Cameroon relations also provided information on the trends of Chinese FDI in Cameroon. The chapter concluded with a detailed review on some of the most relevant theories that explain the existence of FDI based on macro-locational determinants of and motives for FDI. A summary of the theories discussed is provided in Table 2.3 below.

Table 2.3: Summary of FDI theories on determinants of and motives for FDI.

Theories	**Determinants of FDI**	**Motives for FDI**
Industrial organisation theory	Market imperfection in the foreign market such as monopoly.	Strategic asset-seeking
Cost of capital theory	Cost of capital	
The matrix of the Firm Specific Advantages-Country Specific Advantages (FSA-CSA) at the MNE level	FSA – technology, knowledge, managerial know-how and marketing abilities CSA – natural resources, government policies, trade openness, size and quality of labour and cultural factors.	

The eclectic paradigm	Ownership advantages: machines, access to capital, skilled labour, technology, patents, knowledge and brands. Location advantages: political environment, large market size, economic development (infrastructure), potential for future growth. Internalisation: If it is cheaper to internalise rather than license the right to a foreign firm.	Resource-seeking Market-seeking Efficiency-seeking Strategic asset-seeking
Theories	**Determinants of FDI**	**Motives for FDI**
The internalisation theory	The level of firm's control over its ownership advantages	
Investment development path theory	The role of government, level of economic development measured by (PGDP), natural resources, market size and technology.	Resource-seeking Market-seeking Strategic asset-seeking
The MacDougall-Kemp hypothesis	Availability of capital.	
Location specific theory	Cost of labour, trade barriers and natural resources.	Resource-seeking Efficiency-seeking
Aliber's hypothesis	Exchange rate.	
Froot and Stein's model	Depreciation in exchange rate	
The product cycle theory	The stage in the life cycle of a product.	
The theory of competitive advantage	Land, skilled labour, capital, natural resources, infrastructure, nature of domestic demand, existence of internationally competitive related and supporting industries, government policies.	Resource-seeking Strategic asset-seeking Market-seeking

(**Source:** Researcher, adapted from text, 2020).

From the theoretical review it was clear that FDI theories share the view that firms invest abroad to benefit from the advantage of location, firm specific advantages or advantages from internalisation of the market as asserted by Nayak and Choudhury (2014).

Chapter 3 will focus on the macro-locational determinants of FDI by discussing in detail the macro-locational determinants of FDI identified by the theories on FDI. It will also highlight and discuss the macro-locational determinants of FDI and Chinese FDI in Africa from previous research studies.

CHAPTER 3:
MACRO-LOCATIONAL DETERMINANTS OF FOREIGN DIRECT INVESTMENT

3.1 INTRODUCTION

In the previous chapter, the origin of FDI and Chinese FDI in Africa and Cameroon and the relevant FDI theories were discussed. As mentioned in Chapter 2, according to the eclectic paradigm postulated by Dunning, two determinants, micro- and macro-locational, are important in FDI. The micro-determinants (supply side) are firm-specific determinants of FDI and include the ownership and internationalisation advantages of the firm. On the other hand, macro-locational determinants (demand side) are the locational advantages provided by the host country (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95). Furthermore, in Chapter 2 it was contended that the flow of FDI into a country is dependent on the locational attractiveness of the country. Thus, the variations in FDI among countries can be attributed largely to their level of locational attractiveness (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95). This emphasises the importance of focusing on the macro-locational determinants of attracting FDI inflows and, of particular importance in the case of this research, is the identification of the macro-locational determinants of Chinese FDI in Cameroon.

This chapter will discuss the macro-locational determinants of FDI and will assess the most prominent macro-locational determinants of FDI. In addition, this chapter will review studies on FDI in Africa to identify the particular macro-locational determinants of FDI in Africa. Considering that the focus of this research is on Chinese FDI, this chapter will review relevant studies on Chinese FDI to identify the macro-locational determinants of Chinese FDI based on the current literature on the topic. In addition, a review of FDI studies in Cameroon will assist to identify the macro-locational determinants of FDI in Cameroon. Lastly, a review on other international studies will be provided to identify other macro-locational determinants of FDI.

UNCTAD (1998, p.91) asserts that a host country's macro-locational determinants of FDI can be grouped into three main categories – the "policy framework for FDI, business facilitations, and economic determinants". It should be noted that the amount of FDI inflow to a country

does not depend exclusively on one category but is rather contingent on a combination of policy, business facilitation and economic determinants in the host country. The three main categories are briefly discussed below.

1) The policy framework for FDI

The policy framework for FDI refers to the host country's policy on FDI and includes the regulations that govern the entry and operations of FDI, the way FDI should be managed, and the operation of the various markets in which they operate (UNCTAD, 1996a, cited in UNCTAD, 1998, p.92). The most important FDI policies necessary in the current competitive landscape are the liberalisation policies which are significant determinants of FDI inflow to a country (UNCTAD, 1998, p.90). These liberalisation policies mean equal treatment for FDI and local firms and this may even extend to preferential treatment for FDIs. Furthermore, to ensure the effectiveness of FDI policies, they are usually supplemented by other policies such as trade and privatisation policies. These trade and privatisation policies include modifications to tariffs, trade barriers, privatisation, corporate taxes, domestic labour, and subsidies (Demirhan and Masca, 2008). In the case of Cameroon, the government has been noted for its formulation of clear and sound business policies, but the implementation of these policies has been subject to various challenges (Akwaowo, 2013, p.25).

2) Business facilitation

Business facilitation refers to the measures implemented by host governments to facilitate the operations of FDI (UNCTAD, 1998, p.90). Examples of some business facilitation measures include the provision of various investment incentives to FDI, investment promotions, minimising "hassle cost" of operating and the provision of certain amenities that may enhance the quality of life of foreign investors and individuals (UNCTAD, 1998, p.99).

3) Economic determinants

Once an effective FDI policy framework and streamlined business facilitation measures have been established, the economic determinants become apparent as an important additional determinant of FDI (UNCTAD, 2018, p.xxviii). The economic determinant refers to the characteristics of the economy such as the market size, natural resource endowment, skilled labour infrastructure, cost of resources, and assets that make a country attractive to FDI (UNCTAD, 2018, p.xxvi). Figure 3.1 illustrates the three categories of host country macro-locational determinants of FDI.

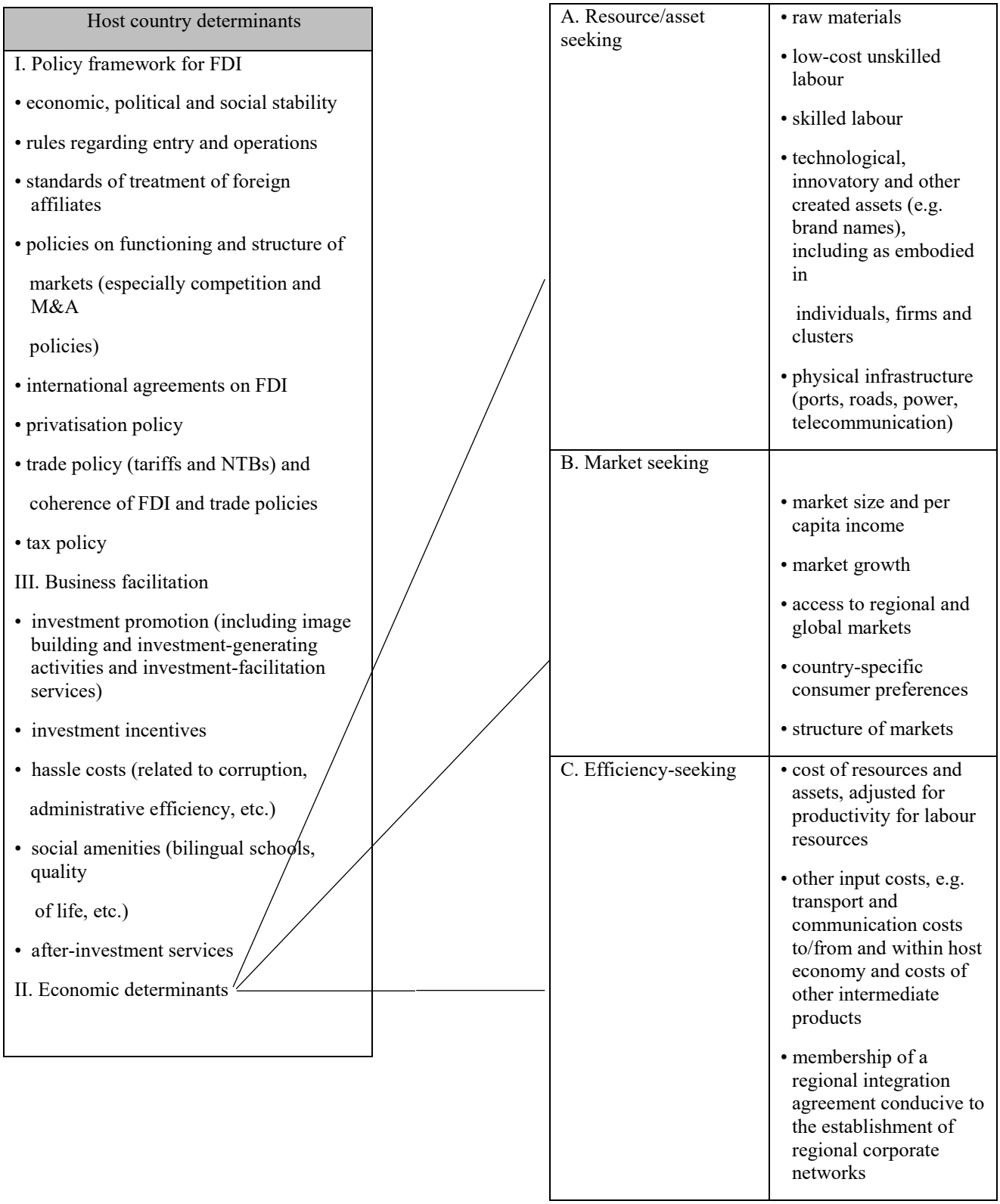

Figure 3.1: Host country macro-locational determinants of FDI
(**Source:** UNCTAD, 1998, p.91).

Figure 3.1 above illustrates the three categories of host country macro-locational determinants of FDI – the policy framework for FDI, business facilitation and the economic determinants. The variables of each of the three categories of macro-locational determinants have been itemised. The variables of the economic determinants have been categorised to satisfy three identified motives, that is, resource-, market-, and efficiency seeking which will be discussed in detail in Chapter 4. It should be noted here that strategic asset seeking is not included as it was a motive which only later gained significance as one of the motives for FDI, but it will also be discussed in detail in chapter 4. However, it may be deduced from Figure 3.1 above that, irrespective of the motives, the policy framework for FDI and business facilitation are vitally important for FDI, but the importance of economic determinants depends rather on the motives for the FDI. This asserted importance of certain economic determinants for specific motives of FDI provides the rationale for the fourth objective of this research which seeks to ascertain the importance of selected economic macro-locational determinants of FDI for the motives of Chinese FDI in Cameroon.

Furthermore, while the economic determinants have been highlighted as the most important determinant amongst the three categories of macro-locational determinants discussed above, the UNCTAD (1998, p.xxvi) argues that it is difficult to pinpoint the most relevant macro-locational determinant of FDI, given that the importance of the macro-locational determinants of FDI are largely dependent on a number of factors including the motives of the FDI, the type of investment (new or sequential FDI), the sector in which the FDI is engaged, and the size of the firm. This implies it may be beneficial for this research to investigate whether the motives are dependent on the sector of the FDI.

Despite arguments regarding the importance of the various macro-locational determinants of FDI, some economic determinants and policy for FDI variables have been identified from theories and literature as the most prominent macro-locational determinants of FDI. These variables include infrastructure, market size, human capital, political risk, trade openness, inflation, exchange rate, and interest rate, (Blanc-Brude, Cookson, Piesse and Strange, 2014, p.798; Manzoor, Fonseka, Bashir and Hussain 2014, p.234; Nielsen, Asmussen and Weatherall, 2017, p.76). Other macro-locational determinants of FDI that will be included as FDI variables in this research include natural resources (explained in Section 3.3) and the Global Competitiveness Index (explained in Section 2.8.12).

This research study will concentrate on these prominent macro-locational determinants of FDI variables according to FDI theories and the current literature to identify the determinants of Chinese FDI in Cameroon. The section that follows will discuss these prominent macro-locational determinants of FDI variables and highlight the reasons for their inclusion in this research study.

3.2 PROMINENT MACRO-LOCATIONAL DETERMINANTS OF FDI VARIABLES

3.2.1 Infrastructure

Infrastructure is a critical location factor for developing countries to attract FDI as the availability of good infrastructure, such as good road networks, electricity, railways, telecommunication, and internet service promotes productivity which, in turn, attracts FDI (Chiu, Lo and Susy, 2015, p.131). Increased productivity stimulates economic growth which, in turn, attracts more foreign or domestic investments (Mijiyawa, 2012, p.11). Closely associated with the achievement of higher productivity levels is the cost and ease or difficulty of operating a business in a particular country (Khan and Bamou, 2006, p.92). Countries with good infrastructure provide companies with the additional benefit of lower operating costs (Blanc-Brude, et al., 2014, p.789; Kariuki, 2015, p.347). Of equal importance is that host countries with good infrastructure can provide FDIs with ease of access to various local markets, which may lead to further business opportunities such as partnerships or joint ventures (Chiu, Lo and Susy, 2015, p.131). Sound infrastructure remains one of the major driving factors behind the existence of FDI in specific countries including China (Akwaowo, 2013, p.25). Contrary to the importance of infrastructure for most FDIs, it is suggested that FDI from China is attracted by countries with low infrastructural development as this provides Chinese firms with the opportunity to provide these countries with infrastructure development opportunities (Claassen, Loots and Bezuidenhout, 2011, p.6). Given the importance of infrastructure, in this research study it will be used as one of the variables of macro-locational determinants of Chinese FDI in Cameroon.

3.2.2 Market size

According to various theories summarised in Table 2.3 at the end of Chapter 2 and research studies summarised in Table 3.1, 3.2 and 3.3 at the end of this chapter such as those of Khan

and Bamou (2006, p.91), Anyanwu (2011), Zhang and Daly (2011), Kolstad and Wiig (2011), Rogmans and Ebbers (2013), Kudaisi (2014), Anyanwu and Yameogo (2015), Depoyster (2017) and Mourao (2018), market size is regarded as the most significant determinant of FDI. This implies that countries with large markets tend to attract FDI, especially those that provide services for the local population (Mijiyawa, 2012, p.13). Furthermore, with specific reference to Chinese FDI, Claassen, Loots and Bezuidenhout (2011, p.8) assert that market size is a significant determinant of China's FDI into Africa, given the Chinese government's propensity to expand its market and search for new markets abroad. In addition, Yao, et al., (2016, p.61) explain that Chinese FDIs are more attracted to host countries where there is a high consumption of Chinese goods, as is the case in most African countries (Khan and Bamou, 2006, p.91). Therefore, given the importance of market size to FDI generally and particularly to Chinese FDI, market size will be used as a key variable of macro-locational determinants for Chinese FDI in Cameroon. In addition, given the aforementioned discussion on Chinese FDI, a positive relationship with Chinese FDI into Cameroon and market size is expected to become apparent in this research.

3.2.3 Human capital

When making the decision to invest in a particular location or not, foreign investors are often swayed by the cost and quality of labour available in the location being considered (Khan and Bamou, 2006, p.93; Sichei and Kinyondo, 2012, p.89). The cost of labour is a vital determinant of FDI for developing countries, given that most firms would choose to take advantage of low wages to reduce the cost of production and thereby maximise profits (Chiu, Lo and Susy, 2015, p.132). Akwaowo (2013, p.25) argues that at the early stages of FDI, labour cost is usually the chief determinant of FDI in relation to other factors such as market size. Most African countries rely on the availability of a cheap labour force to attract FDI, but Eissa and Elgammal (2014, p.20) note that there is a growing need to improve the quality of the labour force by improving education and training in order to attract FDI. This is especially pertinent in the current era where new productive sectors such biotech industries and ICT use innovative technologies and require a skilled labour force (Eissa and Elgammal, 2014, p.20). Another major reason for the growing importance of the quality of labour to attract FDI is the fact that technology assimilation is quicker and the cost of training is less costly for an educated higher quality labour force compared to a less educated workforce (Khan and Bamou, 2006, p.93). In addition, Akwaowo (2013, p.26) asserts that the quality of labour is critical for an FDI given that the

success of the FDI depends to a large extent on the skills of its management. Moreover, it is important to note that the quality of labour benefits both the FDI and the host country as a skilled workforce increases the productivity of both the FDI and the host country (Blanc-Brude, et al., 2014, p.789).

However, a major consideration for host country governments aspiring to improve productivity as a result of FDI is to carefully assess the means by which productivity may be increased in order to formulate the best possible decision making and policy adjustments to attract FDI (Alfaro, 2014, p.13). Of importance to consider is that if increased productivity is as a result of knowledge and innovation transfer from the FDI, then certain attractive benefits for the FDI such as tax holidays and other financial incentives are justified and necessary. However, if an increase in productivity is due to market reallocation, then measures to improve domestic market conditions, access to credit, capital and labour supply should be implemented and FDI incentives are not really necessary as domestic firms have the potential to increase general productivity levels without FDI intervention (Alfaro, 2014, p.16). The growing importance of the quality of human capital makes this factor an important variable of macro-locational determinant of Chinese FDI in Cameroon.

3.2.4 Political risk

Tintin (2013, p.289), Solomon and Ruiz (2012, p.181) and Rodríguez-Pose and Cols (2017, p. 68) assert that despite the impact of institutional variables such as macroeconomic stability, legal regulations and political risk on investment and trade, most studies investigating the determinants of FDI tend to exclude these variables due to the complexities arising from data unavailability or data discrepancies and co-integration with other variables. The role of political risk as a determinant of FDI has recently gained momentum as a significant determinant of FDI, even outweighing established historical determinants such as the cost of labour and economic growth in the host country (Scherr, 2004, cited in Mourao, 2018, p.262). Specifically, studies have found that countries with low political risk are more attractive for FDI as the uncertainty risk is reduced and good governance serves to bolster potential investors' confidence (Khan and Bamou, 2006, p.93; Tintin, 2013, p.289; Yao et al., 2016). Countries with low political risk effectively support investors' future plans because clear rules, regulations and law enforcement enable investors to reliably estimate the cost and time required for investments (Sach, Warner and Morriset, cited in Mourao, 2018, p.262). On the other hand,

in countries with high political risk accompanied by *coups d'etat* and/or strikes there is increased investment uncertainty risk which potentially lowers the return on investments (Sach, Warner and Morriset, cited in Mourao, 2018, p.262). Furthermore, investors in countries with high political risk are faced with unexpected costs resulting from uncertainties and delays due to the inability to plan properly as a result of ambiguous rules and laws and rampant corruption (Solomon and Ruiz, 2012, p.181; Sach, Warner and Morriset, cited in Mourao, 2018, p.262). High political risk is closely associated with low returns, inefficiency in operations and extra costs, due mainly to corruption (Mourao, 2018, p. 262). Furthermore, several authors including Solomon and Ruiz (2012, p.181), Olatunji and Shahid (2015, p.32) and Abbas and Mosallamy (2016, p.30) have emphasised the importance of measures to resolve conflicts and ensure low political risk to contribute towards attracting FDI inflow to African countries.

In the case of China, the importance of political risk as a determinant of FDI is tentative, given that some studies have found that political risk (either high or low) has little impact on Chinese FDI choices (Cheung and Suny, 2009, p.322; Quer, Claver and Rienda, 2012, p.1096; DePoyster, 2017). In contrast, a study by Mourao (2018, p.265) found that high political risk had a significant effect on Chinese FDI and accounted for the low stock of Chinese FDI, especially in African countries. Thus Mourao (2018) asserts that low political risk in African countries is critical for attracting FDI. On the other hand, Buckley, et al. (2007), Kolstad and Wiig (2011, p.27) and Yang, et al. (2018) are of the opinion that Chinese FDI tends to be attracted to countries with high political risk. Kolstad and Wiig (2011, p.27) assert that the presence of Chinese FDI in high political risk countries is not as a result of being latecomers to FDI but can rather attributed to the interest of Chinese FDI in resource-rich poorly governed countries. However, Yeung and Liu (2008, p.71) and Morck et al. (2008, p.346), cited in Kolstad and Wiig (2011, p.29), argue that Chinese companies are experienced in negotiating business deals in relatively opaque and difficult business environments and in dealing with burdensome regulations and navigating around obscure political constraints. This may provide justification for Kolstad and Wiig's (2011, p.29) assertion that Chinese FDI have a competitive advantage in investing in countries with high political risk.

In Cameroon, the importance of low political risk for FDI inflow has been emphasised by many researchers (Zisuh, 2001, p.10; Gaius and Emmanuel, 2018, p.1; Forgha, Ngong and Lionel, 2016, p.1). For example, Zisuh (2001, p.9) asserts that the high political risk accompanied by political instability during the October 1992 presidential elections in Cameroon led to massive

investment repatriation by many foreign direct investors and may have accounted for the drop in FDI inflow between 1993 and 1995 in the country. For this research, the level of political risk is expected to have a negative impact on Chinese FDI in Cameroon in the wake of kidnap of Chinese contractors in northern Cameroon by Boko Haram which led to the halt of several projects in that part of the country (Cabestan, 2015, p.9).

As the significance of political risk has been clearly demonstrated in this section to be a major determinant of FDI in Cameroon, political risk will be considered as a variable of macro-locational determinants of Chinese FDI in Cameroon.

3.2.5 Trade openness

Tintin 2013 (2013, pp.291-292) argues that trade openness is often considered to be a major determinant of FDI and a major attraction to foreign investors because it indicates the extent of the ease of trade within the country and internationally. Consequently, countries that are more open to trade are more attractive for FDI as they promote free trade in goods and services (Kariuki, 2015, p.349). However, the importance of trade openness as a determinant of FDI is ambiguous, given that some market-seeking FDIs are attracted to locations with stringent trade barriers (Khan and Bamou, 2006, p.96). To corroborate this, Mijiyawa (2012, p.10) explains that trade openness mainly attracts export-orientated FDIs rather than market-seeking FDIs (discussed further in Chapter 4). Market-seeking FDIs which seek to serve the local population in the host country are usually obliged to open subsidiaries in the host country when they encounter barriers to the importation of their goods to the host country (Mijiyawa, 2012, p.10). For the export orientated FDI, however, trade openness is beneficial given that trade restrictions may increase transaction cost for the FDI hence decreasing exports by the FDI (Mijiyawa, 2012, p.10). Policy makers should note that trade openness as a determinant of FDI inflow is dependent largely on the type of FDI. However, given that investments in a country are often directed towards the trade sector, the degree of openness to trade is an important consideration for most FDIs (Khan and Bamou, 2006, p.88) especially for resource-seeking and export-orientated FDIs (Khan and Bamou, 2006, p.92, Sichei and Kinyondo, 2012, p.89).

In terms of Chinese FDI, the studies of Claassen, Loots and Bezuidenhout (2011, p.397) and Yao, et al. (2016, p.61) on the determinants of Chinese FDI in 172 host countries including Cameroon, state that trade openness constituted one of the main determinants of Chinese FDI

in those countries. Therefore, given the importance of trade openness in attracting FDI, as explained in this section, it will be used as a variable of macro-locational determinants of Chinese FDI in Cameroon.

3.2.6 Inflation

The level of inflation in a country is usually an indication of the degree of stability of the macroeconomic environment and price stability in the country (Eissa and Elgammal, 2014, p.21). Stable and predictable inflation rates attract FDI as they boost investor confidence and certainty and allow for better forecasting of earnings as well as planning for pricing. Specifically, a stable low inflation rate shows the level of commitment and reliability of the host country's government and provides foreign investors with an incentive to invest in the country (Khan and Bamou, 2006, p.88). Furthermore, a low inflation rate is an important determinant of FDI, especially for market-seeking FDIs (as discussed in Chapter 4), given that a high inflation rate reduces real profits and devalues the currency of a country which, in turn, discourages exports (Buckley, et al., 2007; Zhang and Daly, 2011, p.393; Yao, et al. 2016, p.60). Moreover, a high inflation rate may also constitute additional cost for foreign firms in the host country by decreasing their purchasing power when the actual inflation rate is greater than the anticipated inflation rate (Kariuki, 2015, p.347).

With regard to Chinese FDI and despite the importance of inflation, studies by Zhang and Daly (2011, p.393) and Claassen, Loots and Bezuidenhout (2011, p.7) show that the inflation rate had no significant influence on Chinese FDI decisions. Thus, given the importance of inflation, it will be used as a variable of macro-locational determinants of Chinese FDI in Cameroon.

3.2.7 Exchange rate

The exchange rate as a determinant of FDI is often viewed from two angles. Firstly, countries with weaker currencies are more attractive for FDI as assets can be acquired at a lower cost (Kudaisi, 2014, p.32; Eissa and Elgammal, 2014, p.21). Secondly, considering the exchange rate risk involved in repatriation of profits, some investors tend to prefer locations with strong currencies (Khan and Bamou, 2006, p.88; Akwaowo, 2013, p.25). However, research studies, Aliber's hypothesis and Froot and Stein's model as discussed in Chapter 2, Section 2.8 indicate an FDI preference for countries with weaker currencies or comparatively low exchange rates

(Eissa and Elgammal, 2014, p.21; Kadaisi, 2014, p.32;). Furthermore, with specific reference to Cameroon, Djomo, et al. (2017, p.16) found that an appreciation in exchange rate negatively affected agricultural growth and made the sector unattractive for FDI. However, policymakers in countries with devalued currencies should note that devaluing currencies may assist in attracting FDI by improving the competitiveness of the country and increasing investors' return on investment rates (Eissa and Elgammal, 2014, p.21). The benefits of this strategy are contingent on whether the devaluation of the currency is accompanied with changes in the cost of production and does not affect the increases in real wages (Eissa and Elgammal, 2014, p.21). However, given the importance of the exchange rate as a determinant of FDI, it will be used as a variable of macro-locational determinants of Chinese FDI in Cameroon. In addition, considering that China has a fixed and devalued exchange rate (Zhang and Zaly, 2011, p.393), it will be interesting to investigate whether host countries with devalued exchange rates, such as Cameroon, are also considered seriously by Chinese FDIs with undervalued currencies.

3.2.8 Interest rate

Hoang and Bui (2015, p.216) assert that interest rate represents the entry cost for operating in a host country and negatively influenced FDI inflow in the ASEAN countries over the periods 1991 to 2009. Furthermore, Trinh and Nguyen (2015, p.57) state that the importance of interest is due to the fact that rise in real interest rate leads to an increase in the cost of capital which, in turn, represents a financial risk for the FDI and will therefore reduce the flow of FDI into the host country. Asiamah, Ofori and Afful (2019, p.56) research on identifying the macro-locational determinants of FDI in Ghana between 1990 and 2015 found that interest rate had a significant negative effect on FDI inflow in Ghana. Implying an increase in the interest rates, leads to a significant decrease in FDI inflows in Ghana. However, a study by Siddiqui and Aumeboonsuke (2014, p.68) suggest that the relevance of interest rate as a macro-locational determinant of FDI may vary between countries. Given that the findings of Siddiqui and Aumeboonsuke (2014, p.68) showed that, while low interest rates positively influenced FDI inflow into Thailand, Philippine and Indonesia, in Singapore and Malaysia it was not applicable. Against this backdrop it will be relevant to determine whether interest rate is also a macro-locational determinant of Chinese FDI. Therefore, interest rate will be used as a variable of macro-locational determinant of Chinese FDI in Cameroon.

Having discussed the significant macro-locational determinants of FDI variables, the following sections will review studies on the macro-locational determinants of FDI and Chinese FDI in Africa and will review previous studies on the macro-locational determinants of FDI in Cameroon. In reviewing these studies, this section discusses the macro-locational determinants of FDI variables tested in these studies and the findings of the studies.

3.3 MACRO-LOCATIONAL DETERMINANTS OF FDI IN AFRICAN COUNTRIES: A REVIEW OF PREVIOUS STUDIES

Mijiyawa (2012) investigated the determinants of FDI in Africa using panel data of 53 African countries for the period 1970 to 2009 and found that return on investment, lagged FDI inflow, market size, trade openness and political stability were significant determinants of FDI. Similarly, Kariuki (2015) used panel data of 35 African countries over the period 1984 to 2010 and found that trade openness and infrastructure showed a significant positive relationship with FDI inflows. Rogmans and Ebbers (2013) focused on 16 Middle Eastern and North African countries to investigate the importance of macro-locational determinant variables such as market size, trade openness, political risk, and natural resource endowment on FDI inflows. Using data collected from 1978 to 2008, the regression analysis revealed that trade openness, market size and natural resource endowment were the main determinants of FDI.

Eissa and Elgammal (2014) examined the determinants of FDI in Ghana, Nigeria and South Africa from 1960 to 2011. The findings revealed considerable differences between these countries as to what constitutes their macro-locational determinants of FDI. In South Africa, the exchange rate had a positive relationship with FDI and was the major determinant of FDI, and in Nigeria trade openness and infrastructure were essential to attract FDI inflow. In Ghana, FDI inflows were mostly influenced by infrastructure, exchange rates and the size of the labour force. An important implication of this study is that macro-locational determinants of FDI varies amongst countries, hence country-specific findings are more relevant than regional or continental findings (Assunção, Forte and Teixeira, 2013, p.1; Eissa and Elgammal, 2014, p.19). Thus, to make informed and relevant policy decisions, policymakers in each African country must understand the major determinants of FDI in their own particular countries (Eissa and Elgammal, 2014, p.19).

Kudaisi (2014) focused on investigating the determinants of FDI in 16 West African countries and found that natural resource endowment, market size, labour availability and exchange rate were the major determinants of FDI. In addition, Anyanwu and Yameogo's (2015) study also focused on the determinants of FDI in West African countries using panel data from 1970 to 2010 and concurred with the findings of Kudaisi (2014). The only difference with Kudaisi's (2014) findings was that monetary integration and trade openness were also found to be major macro-locational determinants of FDI.

A more recent study by Asiamah, Ofori and Afful (2019) on the determinants of FDI inflow in Ghana from 1990 to 2015, found that inflation, exchange and interest rates negatively affected FDI inflows in Ghana, while the market size, electricity production and telephone usage had a positive influence on FDI inflows in Ghana.

The major determinants, as reviewed from the above-mentioned studies on FDI determinants in Africa, are summarised in Table 3.1.

Table 3.1: Summary of major determinants from reviewed studies on FDI determinants in Africa.

Author of study	**Place and period**	**FDI determinants**
Eissa and Elgammal (2014)	Ghana, Nigeria and South Africa (1960-2011)	Exchange rate, trade openness, infrastructure and labour force.
Rogmans and Ebbers (2013)	16 Middle East North Africa (1978-2008)	Trade openness, market size and natural resource endowment.
Kariuki (2015)	Panel data of 35 African countries (1984-2010)	Trade openness and infrastructure
Kudaisi (2014)	Panel data of 16 West African countries (1970-2010)	Natural resource endowment, market size, labour availability and exchange rate.

Author of study	Place and period	FDI determinants
Mijiyawa (2012)	Panel data of 53 African countries (1970-2009).	Return on investment, lagged FDI inflow, market size, trade openness and political stability.
Anyanwu and Yameogo (2015)	West Africa using panel data (1970-2010)	Market size, trade openness, natural resource endowment and monetary integration.
Asiamah, Ofori and Afful (2019)	Ghana (1990-2015)	Inflation, exchange and interest rates market size, electricity production and telephone usage.

(Source: Researcher, adapted from text, 2020).

The information in Table 3.1 confirms the prominent macro-locational determinants of FDI discussed in the previous section as major macro-locational determinants of FDI, as they have been found to be significant macro-locational determinants in these reviewed studies. However, given the importance of natural resource as a prominent macro-locational determinant in these reviewed studies, natural resources will be used as a variable of macro-locational determinants of Chinese FDI in Cameroon. More specifically, a review of previous studies pertaining to macro-locational determinants of Chinese FDI will be provided in the next section.

3.4 MACRO-LOCATIONAL DETERMINANTS OF CHINESE FDI: A REVIEW OF PREVIOUS STUDIES

Zhang and Daly (2011) investigated the determinants of Chinese FDI from 2003 to 2009 for 23 countries across six continents, including Africa. Using a panel data from 2003 to 2009, their findings showed that the key macro-locational determinants of Chinese FDI included market size, economic growth, degree of openness of the economy and endowments of natural resources. In addition, the study found that China's FDI was attracted to countries who were high recipients of Chinese exports. Similarly, Pradhan (2017) investigated the macro-locational determinants of Chinese FDI in 107 developed and developing economies from 2001 to 2008 and the findings revealed that natural resource endowment, host country import intensity, exchange rates, distance between host country and China, and a bilateral investment treaty were major macro-locational determinants of Chinese FDI into host countries. However, contrary to

FDI theories, the study also revealed that rising inflation rates was a major determinant for Chinese FDI.

Kolstad and Wiig (2011) also investigated the determinants of Chinese FDI in 104 host countries during a similar period as Pradhan (2017) – 2003 to 2006. Their study found that GDP, political risk and natural resources were major determinants of Chinese FDI. Further details of the results showed that the greater the political risk, the more Chinese FDI is attracted to the natural resources of the host country (Kolstad and Wiig, 2011, p.27). They also found that countries that offered tax holidays, were rich in natural resources, were geographically close to China and provided access to large markets, as well as those with high political risk environments, attracted considerable Chinese FDI interest. Kolstad and Wiig (2011, p.27) further cited Sudan as a typical example of a country which is a major recipient of Chinese FDI, despite having a high political risk. Similarly, DePoyster (2017), on analysing data on overseas investment to 192 host countries by Chinese firms from 1996 to 2015 and from 2004 to 2015, and categorising firms as state-owned Chinese FDI and other Chinese FDI, found that political risk had no impact on the location decision by state-owned Chinese FDI across the two time periods. While for other Chinese FDI, location decisions were not influenced by political risk in the host country prior to 2004. However, subsequent to 2004 the level of political risk in the host country became an important consideration and, at times, discouraged China from investing. These findings by DePoyster (2017) suggest that the non-consideration of political risk by Chinese FDI is often by Chinese state-owned FDIs (DePoyster, 2017, p.ii). Ramasamy, Yeung and Laforet (2012) had similar findings to DePoyster (2017). Ramasamy, Yeung and Laforet's (2012) study investigated the macro-locational determinants of publicly listed Chinese state and private-owned firms from 2006 to 2008 in 59 host countries. They found that whereas Chinese state-owned FDIs invested in host countries with high levels of political risk to access natural resources, privately owned Chinese FDIs were more attracted to host countries with large market size rather than countries with high political risk. Contrarily, Mourao's (2018) study on the determinants of Chinese FDI in 44 African countries – including Cameroon – from 2003 to 2010, suggested a preference for African countries with low political risk and other determinants such as market size, population size, forest areas, exports and low political risk.

Tintin's (2013) study investigated the macro-locational determinants of FDI into Central and Eastern European Countries (CEEC) and the country-specific macro-locational determinants

of FDI into the CEEC for four different investors, that is China, Japan, the US and EU-15 from 1996 to 2009. The GDP size, trade openness (import + export/GDP), EU membership, and institutions (measured by economic freedoms, state fragility, political rights, and civil liberties indices) were regressed against FDI inflows. Their findings revealed that while GDP size, trade openness, EU membership, and institutions were relevant determinants of FDI for all investors, there were variations among the foreign direct investors on the level of importance of all the macro-locational determinants. For example, Chinese investors were highly concerned by GDP size, openness of trade and the EU membership status to the EU, whereas Japanese investors were most interested in the EU membership status of the CEEC countries.

Lu, Liu, Wright and Filatotchev (2014) used a panel data of Chinese listed firms during the period 2002 to 2009 and found that the location choice of Chinese FDIs was influenced significantly by the host country's institutional environment and support from the Chinese government. Specifically, they found that Chinese FDIs were more attracted to host countries with a well-established institutional environment with support from the Chinese government. However, a further analysis showed considerable differences between developing and developed countries where the location choice for developing countries was mostly influenced by support from the Chinese government and that developed countries were influenced to a greater extent by the host country's institutional environment. This may provide validation for Quer, Claver and Reinda's (2012) findings where the institutional environment of developing countries had no bearing on the location decision of Chinese FDIs. Furthermore, Csizmadia (2015) investigated the macro-locational determinants of Chinese FDI in 39 African countries from 2002 to 2013. The study found that Chinese FDIs are particularly attracted to oil-rich African countries where the institutional environment is weak, and especially where the rule of law is lax.

Table 3.2 below provides a summary on the macro-locational determinants of Chinese FDI based on the findings from the reviewed studies in this section.

Table 3.2: Summary of macro-locational determinants of Chinese FDI inflow from reviewed literature.

Author of study	Place and date	Determinants of Chinese FDI
Zhang and Daly (2011)	23 African countries (2003-2009)	Market size, level of economic growth, trade openness, natural resources.
Pradhan (2017)	107 developed and developing economies (2001-2008)	Natural resource endowment, host country import intensity, exchange rates, distance, bilateral investment treaty, host country is an offshore financial centre, rising inflation rates.
Kolstad and Wiig (2011)	104 countries (2003-2006)	High political risk, natural resources, government policy (tax holidays), large markets, geographically close to China.
Depoyster (2017)	192 countries (1996-2015)	Large market size, strategic assets and natural resources.
Ramasamy, Yeung and Laforet (2012)	59 countries (2006 to 2008)	High political risk, natural resources, market size.
Mourao (2018)	48 African countries (2003-2010)	Market size, population size, forest area, exports and low political risk.
Tintin (2013)	Central and Eastern European Countries (CEEC) (1996-2009)	GDP size, trade openness (import + export/GDP), EU membership, and institutions (measured by economic freedoms, state fragility, political rights, and civil liberties indices).
Lu, et al. (2014)	Developing and developed host countries by listed Chinese firms (2002-2009)	Developed countries – good institutional environment. Developing countries – support from their home government.
Quer, Claver and Reinda's (2012)	52 countries (2002-2009)	High political risk.
Csizmadia (2015)	39 African countries (2002-2013)	Natural resources, weak institutional environment.

(**Source:** Researcher, adapted from text, 2020).

From the overview of studies on the macro-locational determinant of Chinese FDI, it is evident that while some macro-locational determinants such as market size, trade openness, exchange

rates, natural resources, political risk and institutional environment are significant for Chinese FDI, there are differences between developing and developed countries regarding the importance of the institutional environment, political risk and the availability of natural resources of host countries as determinants of Chinese FDI.

More specific to the focus of this research, a review of previous studies pertaining to macro-locational determinants of Chinese FDI in Cameroon will be provided in the next section.

3.5 MACRO-LOCATIONAL DETERMINANTS OF FDI IN CAMEROON: A REVIEW OF PREVIOUS STUDIES

Macro-locational determinants have been said to have increased the flow of FDI in Cameroon over the last ten years (Gaius and Emmanuel, 2018, p.2). However, despite the importance of FDI and its determinants to increase economic growth and FDI inflow respectively, there have been few studies conducted on the topic of macro-locational determinants of FDI to Cameroon (Gaius and Emmanuel, 2018, p.4). It is on this basis that Gaius and Emmanuel (2018) investigated the determinants of FDI in Cameroon, using time series data for the period from 1980 to 2012. Their study tested the importance of trade openness, inflation, exchange rate, gross domestic product per capita, natural resources, infrastructure and the level of liberalisation as macro-locational determinants of FDI inflows to Cameroon (Gaius and Emmanuel, 2018, p.4). The findings indicated that amongst the seven variables tested, only trade openness and exchange rate were statistically significant macro-locational determinants of FDI inflow to Cameroon. Forgha's (2009) study on the macro-locational determinants of FDI in Cameroon from 1970 to 2012, found that political stability, level of industrialisation, infrastructure, GDP and the availability of skilled labour in the country were significant determinants of FDI. In addition, Forgha (2009) found that the most important macro-locational determinant of FDI was the degree of industrialisation.

Forgha, Ngong and Lionel (2016), using time series data from 1975 to 2015, examined the extent to which GDP per capita, infrastructural development, total debt services, return on investment on capital, openness of the economy, and political stability determine the inflow of FDI in to Cameroon. Their findings revealed that while GDP per capita and political stability were significant macro-locational determinants of FDI in Cameroon, other determinants included infrastructure, total debt services, return on investment on capital, and openness of

the economy. Furthermore, infrastructure had a positive influence on FDI inflow to Cameroon, indicating that the greater the level of infrastructural development in Cameroon, the more attractive the country for FDI. In contrast, total debt services, return on investment of capital and openness of the economy had a negative relationship with FDI, indicating that an increase in any of these variables will result in decreased FDI to Cameroon.

Pacific**,** Sunday and Lucy (2015) investigated the macro-locational determinants of FDI in 25 Francophone countries in Africa, including Cameroon, from 2004 to 2012. The empirical variables tested in their study included political stability, exchange rates, GDP growth rate, domestic credit to private sectors, exports in goods and services and infrastructure. The findings revealed that, except for GDP growth rate and domestic credit to the private sector, all the other variables were major determinants of FDI into these countries. However, Pacific**,** Sunday and Lucy (2015, p.4) note that the insignificance of GDP growth is intriguing, given that low GDP growth rate is often regarded as an indication of poor economic conditions, slow technological advancement, low level of trade openness and low domestic savings in a country.

Khan and Bamou's (2006) study analysed what constitutes the determinants of FDI in Cameroon, from 1992 to 2002 using the possible macro-locational determinants of FDI of inflation, exchange rate, market size, infrastructure, openness of the economy, wage rate, growth of the economy, the level of education, government size, external debt and political risk. The analysis of their data revealed that the level of infrastructural development was the most significant determinant of FDI but that the growth of real GDP, trade openness, quality of human capital and market size were slightly significant. On the other hand, political risk and inflation had a statistically insignificant negative impact on FDI inflow. Khan and Bamou, 2006) argued that the marginal significance of market size may be attributed to the aggregate nature of the FDI variables. Table 3.3 below provides a summary of the determinants of FDI in Cameroon as reviewed in the section above.

Table 3.3: Summary of determinants of FDI in Cameroon from reviewed literature.

Author of study	Period	FDI determinants
Gaius and Emmanuel (2018)	1980-2012	Trade openness and exchange rate.
Forgha (2009)	1970-2012	Political stability, level of industrialisation, infrastructure, GDP and the availability of skilled labour.
Forgha, Ngong and Lionel (2016)	1975-2015	GDP per capita and political stability, Infrastructure, total debt services, return on investment on capital, openness of the economy.
Pacific, Sunday and Lucy (2015)	2004-2012	Political stability, exchange rates, exports in goods and services and infrastructure.
Khan and Bamou (2006)	1992-2002	Infrastructure, growth of real GDP, trade openness, quality of human capital and market size.

(**Source:** Researcher, adapted from text, 2020).

As seen from the review of previous studies on the macro-locational determinants of FDI to Cameroon, most of the reviewed studies investigated the macro-locational determinants from all source countries of FDI. Thus, against the background of the previous studies on the determinants of FDI in Cameroon, this research study will further contribute to the body of knowledge on the macro-locational determinants of FDI for Cameroon specifically by investigating which determinants of FDI are relevant for Chinese FDI in Cameroon.

Furthermore, given the prominence of raw materials, low cost of labour, market size, access to regional global markets and market growth and cost of inputs as prominent economic determinants of FDI from the reviewed studies in Tables 3.1, 3.2 and 3.3 above. This research will ascertain the importance of these selected economic determinants of FDI for the motives of Chinese FDI in Cameroon.

3.6 CHAPTER SUMMARY

This chapter discussed the macro-locational determinants of FDI which comprise three main categories – country framework for FDI, business facilitation and economic determinants – of which economic determinants were identified as arguably the most important determinant of FDI. This chapter discussed the most prominent macro-locational determinants of FDI variables and their reasons for inclusion in this research study. Furthermore, this chapter reviewed previous studies on the macro-locational determinants of FDI in Africa, in which other significant macro-locational determinants of FDI were identified. Furthermore, considering the focus of this study on Chinese FDI, this chapter reviewed previous studies on the macro-locational determinants of Chinese FDI which revealed considerable differences between the macro-locational determinants of Chinese FDI between developed and developing countries, which includes most African countries. Lastly, this chapter discussed the macro-locational determinants of FDI in Cameroon with a focus on the macro-locational determinants of FDI irrespective of the country of origin of the FDI. This research will provide a contribution of as it seeks to identify the macro-locational determinants of only Chinese FDI.

This chapter indicated the preference of certain macro-locational determinants of FDI depending on the motives of the FDI and the next chapter will examine the individual possible motives for FDI.

CHAPTER 4:
MOTIVES FOR FOREIGN DIRECT INVESTMENT

4.1 INTRODUCTION

FDI researchers have long sought the answer to why (Oehler-Şincai, 2011, p.36) it is that a firm would choose to acquire assets in another country (Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95) or decide to build a production site in another country in spite of the fact that such a decision would incur the additional cost of operating in another country and would include the cost of transferring employees to work abroad, with the associated language and cultural challenges (Alfaro, 2014, p.6). In the field of international trade, the question persists on the motives of investors who seek opportunities for FDI, as do the reasons for the global distribution imbalance of FDI regardless of the attractiveness of FDI (Polat, 2015, p. 39, cited in Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.95). Furthermore, while profit-seeking may appear to be the obvious answer to these questions, the theories and literature on the topic suggest that there are several diverse motives for FDI such as resource- market-, efficiency- and strategic asset-seeking, as have been highlighted in Chapter 1 and Chapter 2 (Kok and Ersoy, 2009; Alfaro, 2014, p.6; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.96).

Therefore, considering the various diverse motives for FDI, it is important to investigate and understand the underlying motives of the various FDI within each particular country. Furthermore, it has been reported that despite increased FDI, no improvement in the host country's economic growth has resulted and this is due to foreign investors mainly seeking resources and importing most of their production requirements, including employees. Alfaro (2014, p.3) asserts that that the motives for FDI may determine the impact the FDI will have on the economic development and growth of the host country. This underscores the necessity of identifying the motives for Chinese FDI in Cameroon.

This chapter will provide an in-depth discussion on the diverse motives for FDI and with particular reference to the motives for Chinese FDI. In addition, this chapter will review previous studies on the motives of Chinese FDI.

4.2 MOTIVES FOR FDI

4.2.1 Resource-seeking motive

You and Solomon (2015, p.252) and Blomkvist and Drogendijk (2016, p. 347) argue that the main reason for resource-seeking is to benefit from reduced production costs by taking advantage of the availability of natural resources and the abundant cheap and motivated semi-skilled and unskilled labour. Another reason for resource-seeking is to establish production sites close to the source of raw materials needed for production, rather than incur the additional cost of importing the inputs of production (Hussain and Kimuli, 2012, p.14). This implies that countries rich in natural resources tend to attract resource-seeking driven FDI (Sichei and Kinyondo, 2012, p.89). In addition, developing countries endowed with natural resources tend to attract resource-seeking FDI, given that such development of resources usually requires huge capital investment which is not readily available in those countries (Akwaowo, 2013, p.26).

In the case of China in Africa, there has been growing evidence of resource-seeking motives by Chinese FDI, given their growing presence in resource-rich African countries (Cheung and Suny, 2009, p.330; Nassanga and Makara, 2016, p.21). Claassen, Loots and Bezuidenhout (2011, pp.3-4) assert that China's interest in resource-rich African countries is not for any and all types of natural resources but is specifically directed towards countries with oil reserves. This is evident in Uganda where, after the discovery of oil deposits, the country witnessed an inflow of Chinese FDI in this sector (Shen and Taylor, 2012, pp.699-700). Furthermore, with rising trends in resource-seeking, many scholars have expressed concerns about its implication on the development of African countries. This is examined further in an article entitled "Warning Against the New Colonisation of Africa" (2007 cited in Shen and Taylor, 2012, p.694), which warns that "China cannot only just come here and dig for raw materials then go away and sell us manufactured goods".

However, despite the concerns, resource seeking is still a major motive for most Chinese FDI. Yao, et al. (2016, p.61) found a positive relationship between the availability of natural resources and Chinese FDI in 172 host countries. The resource-seeking motive is expected to be found to be a significant motive for Chinese FDI in Cameroon, especially given the wide presence of Chinese FDI mostly in the primary sectors, as discussed in Chapter 2, coupled as it is with the Cameroonian President's open plea for more Chinese investment in Cameroon's

primary sector, specifically in mineral exploitation, wood extraction and hydrocarbons (Khan and Baye, 2008, p.6).

4.2.2 Market-seeking motive

The primary reason for market-seeking is to access new market which are attractive as a result of their size and growth potential (Olatunji and Shahid, 2015, p.24). Another major reason for market seeking is to serve the local markets by producing and identical goods and services locally, thus necessitating the establishment of identical production plants in the host countries (Khan and Baye, 2006, p.87; Herzer, 2010). Another reason for market-seeking is to gain access to markets in neighbouring countries, which provides an export market through FDI (You and Solomon, 2015, p.252). It is suggested that other reasons for market-seeking when FDIs is the preferential tariff advantages and the ability to gain favourable market positions by responding quickly due to locational preference and conditions (Khan and Bamou, 2006, p.87; Hussain and Kimuli, 2012, p.14; Petrović-Ranđelović, Janković-Milić and Kostadinović, 2017, p.97).

The growing population in Africa and subsequent economic growth has attracted large investments by foreign firms seeking markets abroad (Kariuki, 2015, p.347). Amendolagine, Boly, Coniglio, Prota and Seric (2013, p.51) highlight that developing countries, especially African countries, should give preference to FDI with a market-seeking motive when formulating strategies to attract FDI. Market-seeking FDI promotes linkages with local firms and enhances the internalisation of the country. In serving the foreign market, exports and FDI may become substitutes, where exports may replace FDI if there are no trade barriers and the cost of exporting is cheap, whereas FDI may replace exports when there are trade barriers and the only way to benefit from the advantages present in the host country is to invest through FDI (Cui, Meyer and Hu, 2014, p.498). Khan and Bamou (2006, p.8) assert that policymakers should take cognisance of the fact that market-seeking will only replace the value of exports if the cost of exporting to the host country is greater than the cost of establishing a production site in the host country (Khan and Bamou, 2006, p.87). Asante (2006) remarks that firms with a market-seeking motive will consider the size of the market and the potential for growth of the market, and also the national income of the host country.

However, despite the potential benefits of market-seeking for FDI, there have been contradictory findings on market-seeking motives by Chinese FDI. The study of Yao, et al. (2016, p.61) found no evidence of market-seeking motives by Chinese FDI. Conversely, Cui, Meyer and Hu (2014) found evidence of market-seeking motives. In the case of Cameroon, market-seeking FDI has accounted for about 79% of FDI inflow (Akwaowo, 2013, p.25). It is argued that Cameroon's geographical and cultural proximity to neighbouring markets may have been an added advantage to the country, given the country's own limited market size (Akwaowo, 2013, p.25). Considering this, it may be the case that market-seeking is a motive for Chinese FDI to access to Cameroon's market and those of its neighbouring countries.

4.2.3 Efficiency-seeking motive

The reason for efficiency-seeking is to break down and relocate the vertical production chain to locations that offer lower production costs (Khan and Bamou, 2006, p.7; Herzer, 2010). Efficiency-seeking is chiefly motivated by the various input requirements in the production system and the variation in the prices of production input requirements in different countries (Khan and Bamou, 2006, p.87). Efficiency-seeking, therefore, ultimately involves the improvement of the efficiency of the FDI by means of cost reduction and exploitation of the comparative advantages provided in different countries (Cui, Mayer and Hu, 2014, p.489; You and Solomon, 2015, p.252). Firms with efficiency-seeking motives are believed to boost trade, as the products are exchanged between locations at different stages of production and, in most cases, are exported to the home country of the FDI (Khan and Bamou, 2006, p.87).

However, the research of Claassen, Loots and Bezuidenhout's (2011, p.7) did not support that efficiency-seeking was a significant motive for Chinese FDI in Africa, given the insignificance of the gross enrolment rate and Chinese FDI. With regard to Cameroon, given the low cost of production inputs, efficiency-seeking is expected to constitute one of the motives of Chinese FDI in Cameroon.

4.2.4 Strategic asset-seeking motive

"Strategic assets refer to those resources and capabilities that are valued by the firm for their potential to contribute to competitive advantage" (Amit and Schoemaker, 1993 cited in Deng, 2009, p.74). The motive of strategic asset-seeking is also known as technology sourcing and

often occurs when a firm seeks to imitate or source the technology of a foreign firm by either purchasing the foreign firm or by setting up research and development (R&D) in the host countries (Herzer, 2010; Blomkvist and Drogendijk, 2016, p. 347). Thus, the motive of strategic asset-seeking is often accompanied with the search for both tangible and intangible strategic assets, including brand names, technology, and R&D capacity and design expertise which may only be available abroad but are crucial for the sustainability of the FDI both abroad and at home (Olatunji and Shahid, 2015, p. 24). This, in turn, enables firms to create an ownership advantage that will enhance its sustainability both abroad and at home and gain a competitive advantage (You and Solomon, 2015, p.252).

Chinese firms are relative newcomers to FDI, but almost half of their FDI ventures are dedicated to strategic asset-seeking, achieved mainly by means of mergers and acquisitions with the objective of obtaining and controlling strategic assets (Deng, 2009; UNCTAD, 2006 cited in Deng, 2009, p.75). In addition, Deng (2009, p.75) asserts that Chinese firms are generally required to generate or develop strategic assets in order to compete successfully in the global market and to comply with the Chinese government's development plans. However, given the slow advances in technology and research in Cameroon and its reliance on China to assist in technological advancement as discussed in Chapter 2, it is unlikely that strategic asset-seeking is the primary motive for Chinese FDI in Cameroon. Despite this, the most important economic determinants of FDI for strategic asset-seeking includes; skilled labour with research and development (R&D) capacity and design expertise, technology sourcing and brand names (Lu, Liu and Wang, 2011, p. 223; Blomkvist and Drogendijk, 2016, p. 347) and will be included in the current research to ascertain their importance for strategic asset seeking motive.

The section that follows will provide a review of previous studies pertaining to the motives of Chinese FDI.

4.3 MOTIVES OF CHINESE FDI: REVIEW OF PREVIOUS STUDIES

Using theoretical variables as the basis for explaining the motives of FDI, Drogendijk and Blomkvist (2013) investigated the motives of Chinese FDI in 174 countries, including 47 African countries in the period from 2003 to 2009. Firstly, their research revealed that, everything being equal, the African continent stands a greater chance of attracting Chinese FDI than the rest of the world does. Secondly, Chinese FDI in Africa is significantly motivated by

resource-, market- and strategic asset-seeking (Drogendijk and Blomkvist, 2013, p.80). Lastly, they found that market-seeking and natural resource-seeking motives, were more significant than strategic asset-seeking when considering FDI in major resource-rich countries in the world such as South Africa (Drogendijk and Blomkvist, 2013, p.81). This is contrary to the findings of Chen (2015, p.1) who studied Outward FDI flow by Chinese firms from 2003 to 2012 and found that market- and efficiency-seeking were the most prominent motivations for FDI by Chinese firms. Nonetheless, the study of Drogendijk and Blomkvist (2013, p. 81) showed that amongst the African countries included in his study, South Africa was attractive for Chinese FDI for all three motives (resource-, market- and strategic asset-seeking). Their study contradicts the previous belief that Chinese firms are only attracted to resource-rich African countries, as African countries do not only differ in the types of resources available but also differ in terms of institutional settings and assets which may be attractive for FDI (Claassen, Loots and Bezuidenhout, 2011, p.1; Drogendijk and Blomkvist, 2013, p.82).

Breivik (2014) studied Chinese FDI in 49 African countries from 2003 to 2011 and found that resource- and market-seeking were the main motives for Chinese FDI. In addition, Breivik's (2014) findings also indicated a preference of resource rich African countries with low political risk by Chinese FDI and contradicts the findings of Kolstad and Wiig's (2011) which indicated a preference of politically unstable resource rich countries by Chinese FDI. He, Xie and Zhu's (2015) had similar findings with Breivik (2014). He, Xie and Zhu's (2015) investigated the motives for Chinese FDI in 138 developing and developed host countries from 2003 to 2011. They found that Chinese FDI in both developing and developed countries were mainly driven by resource-, market- and strategic-asset seeking motives. However, they argue that when seeking for markets in developing countries, Chinese FDI rather have a preference for countries with low political risk. In addition, when seeking for resources in developing countries, Chinese FDI prefer countries with low political risk and corruption (He, Xie and Zhu, 2015, p.469).

Blomkvist and Drogendijk (2016) also investigated the motives of Chinese FDI in Europe from 2003 to 2012 to determine whether the motives for Chinese FDI in Europe differs from that across the world. Their findings from both privately owned and state-owned Chinese firms indicated that the main motives for investing in Europe was market and strategic asset-seeking.

Cheung and Suny (2009, p.322) investigated the motives of Chinese FDI in 31 both developing and developed countries, including 10 African countries in their data set for the period from 1991 to 2005. The findings showed that the motive of resource-seeking was significant for Chinese FDI in all countries. Further analysis also indicated that market-seeking was significant for developed but not developing countries, which shows that interest for Chinese FDI is not only dependent on countries having large markets but was also influenced by high income levels in the country being considered for FDI (Cheung and Suny, 2009, p.322).

The purpose of the research of Van Dijk and Warmerdam (2012) was to investigate the motives for Chinese private owned firms in Uganda. Based on 42 interviews with Chinese firms in Kampala they found that market-seeking was a major motivation for investment by Chinese firms. In addition, they found that a second popular motive for investing in Uganda was to benefit from Uganda's attractive FDI policies. However, it should be noted that their findings may be due to the fact that more than half of the sampled firms consisted of privately owned Chinese firms involved in wholesale and manufacturing, which are known to seek new markets by opening subsidiaries and authorised dealerships to be closer to their existing customers and to attract new customers.

Warmerdam and Van Dijk (2013) focused on Chinese state-owned and privately owned firms in Uganda, and indicated that while both state- and privately-owned firms may be attracted to Uganda due to their interest in market-seeking. State-owned firms had a wide presence in Uganda's oil sector in comparison to privately owned Chinese firms and may suggest a greater interest in resource seeking by state-owned firms compared to privately owned firms. Similarly, Ramasamy, Yeung and Laforet (2012) investigated Chinese FDI in 59 host countries from 2006 to 2008 and found differences in the motives of state- and private-owned Chinese firms. Whereas state-owned Chinese firms were interested in resource-seeking, private-owned Chinese firms were interested in market seeking. The findings by Ramasamy, Yeung and Laforet (2012) and Warmerdam and Van Dijk (2013), provide further justification for investigating whether there are differences in the motives of Chinese state-owned and privately owned firms in Cameroon, and whether either state-owned or privately owned Chinese firms have a relationship with any of the identified four motives for FDI in Cameroon.

Amighini, Rabellotti and Sanfilippo (2013) used a sectoral approach to analyse the motives of Chinese FDI across different industries in 106 host countries – including Cameroon – across

different income levels during the period 2003 to 2008. The results indicated that the motives for Chinese FDI in the manufacturing sector are mainly those of market-seeking and strategic asset-seeking. In the resource-related sector, the chief motivation is resource-seeking and mainly in politically unstable countries. In the service sector the main motive is to seek strategic assets.

The study of Cui, Meyer and Hu (2014) examined the factors that drive Chinese FDI. Their analysis of a sample of 154 publicly listed Chinese firms from 2007 to 2010 revealed a predominance of strategic asset-, market- and efficiency-seeking motives. In addition, they found that the strategic asset-seeking motive was driven by the need to enhance their competitiveness in the foreign market and to close the gap with other existing FDI. The market-seeking motive was to gain exposure to foreign markets as the domestic market was saturated. Efficiency-seeking was influenced by the need to enhance profitability and to ensure short-term survival due to intense competition in the home market.

Based on previous research, a summary of the motives of Chinese FDI as discussed in this section, is illustrated in Table 4.1.

Table 4.1: Summary of motives of Chinese FDI**.**

Author of study and date	**Period**	**Motives of Chinese FDI**
Drogendijk and Blomkvist (2013)	147 countries (2003 to 2009)	Resource-seeking, market-seeking and strategic asset-seeking.
Chen (2015)	2003 to 2012	Market-seeking and efficiency-seeking.
Breivik (2014)	49 African countries (2003-2011)	Resource-seeking and market-seeking.
He Xie and Zhu's (2015)	138 countries (2003-2011)	Resource-seeking, market-seeking and strategic-asset seeking.
Blomkvist and Drogendijk (2016)	Europe (2003-2012)	Market and strategic asset-seeking.
Cheung and Suny (2009)	31 countries (1991-2005)	Resource-seeking and market-seeking.
Van Dijk and Warmerdam (2012)	Uganda (2012)	Market-seeking and Uganda's attractive FDI policies.

Author of study and date	Period	Motives of Chinese FDI
Warmerdam and Van Dijk (2013)	Uganda (2013)	Market-seeking and resource-seeking.
Ramasamy, Yeung and Laforet (2012)	59 countries (2006-2008)	Resource-seeking and market-seeking.
Amighini, Rabellotti and Sanfilippo (2013)	106 countries (2003-2008)	Market-seeking, strategic asset-seeking and resource-seeking.
Cui, Meyer and Hu (2014)	154 publicly listed Chinese firms	Strategic asset-seeking, market-seeking and efficiency-seeking.

(**Source**: Researcher, as adapted from text, 2020).

From Table 4.1 it can be deduced that market-seeking, resource-seeking and strategic asset-seeking were major motives, with efficiency-seeking being less prevalent. Market-seeking was referred to in all the 11 reviewed studies as a motive for Chinese FDI, while resource-seeking were referred to 6 of the 11 studies. Strategic asset-seeking was referred to in 5 of the 11 reviewed studies and efficiency-seeking was only referred to in 2 of the 11 reviewed studies.

4.4 CHAPTER SUMMARY

This chapter provided an in-depth discussion on the diverse motives for FDI and with particular reference to the motives for Chinese FDI. In addition, this chapter identified the economic determinants relevant for strategic asset-seeking motive, which included mainly skilled labour with research and development (R&D) capacity and design expertise, technology sourcing and brand names.

Furthermore, this chapter provided a review of previous studies on the motives of Chinese FDI. This also chapter indicated that market-seeking, resource-seeking and strategic asset-seeking were major motives, with efficiency-seeking being less prevalent.

The next chapter will provide an overview of the research design and methodology used in this research.

CHAPTER 5:
RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

Research refers to an investigation following a systematic process consisting of the initial development of the research, followed by testing and evaluation in order to contribute to the body of knowledge (Ahmad, 2015, p.1). It is worth noting that despite various definitions of research postulated and the importance of research for academics and many other sectors of the economy, there is no generally agreed definition of research (Collis and Hussey, 2014, p.2). However, regardless of individual definitions, all definitions of research agree on three main points. Firstly, that research is the process of carrying out investigations through inquiries. Secondly, research follows a systematic and methodological process. Thirdly, the process leads to an advancement in knowledge (Collis and Hussey, 2014, p.2). The essence of research is to build knowledge by developing new ideas, to test the reliability of old theories, and to generate new hypotheses. In the context of economic research, knowledge is gained by providing new information and technological change, which ultimately provides the basis for sound policy formulation or improvement (Zilberman and Heiman, 1997, p.1543).

As explained in Chapter 1, this research adopts a methodological approach associated with the positivism paradigm. Therefore, the purpose of this chapter is to link the research design to the research paradigm and methodology. To achieve this purpose, the following will be discussed in this chapter:

- The research design;
- The research paradigm;
- Quantitative research;
- Methodology and methods;
- Quality criteria in quantitative research;
- Quantitative data analysis; and
- Ethical considerations.

5.2 RESEARCH DESIGN

According to Collis and Hussey (2014, p.59), the research design refers to the choice of methodology and methods that will be adopted to answer the research question(s). Thus, the main purpose of a research design is to provide an in-depth explanation of how to answer the research question (Kumar, 2011, p.41). The research design provides details about the inquiry process the researcher intends to follow. These details concern the proposed logical arrangement of the research process, the measurement procedures, the sampling strategy, the method of data collection and analysis, and the time period (Kumar, 2011, p.41). In other words, the research design consists of a detailed plan that will guide the research (Collis and Hussey, 2014, p.97) and assists in obtaining valid findings, conclusions and comparisons (Kumar, 2011, p.41). This ultimately supports Creswell's (2014, p.41) assertion that the strength of any research lies in the research design adopted and emphasises Creswell's (2014, p.79) advice to researchers to carefully select a single research design that is most suitable to answer the research question. Collis and Hussey (2014, p.10) propose that a research design begins with the determination of a research paradigm.

5.3 RESEARCH PARADIGM

The research paradigm refers to a framework built on a foundation of the philosophies and assumptions of the world and the nature of knowledge which guides the process of conducting research (Collis and Hussey, 2014, p.10). A paradigm essentially reflects the researcher's view of the world (ontology) and how they believe that knowledge is created (epistemology) (McKerchar, 2008, p.6). Also, a research paradigm comprises unique characteristics and methodologies in terms of how research should be conducted (McKerchar, 2008, p.6). Therefore, the paradigm selected provides a particular philosophical framework that supports the chosen methodology and research methods (Collis and Hussey, 2014, p.54). Some authors argue that a research paradigm also constitutes the criteria for validity (MacNaughton, Rolfe and Siraj-Blatchford, 2001 cited in Thanh and Thanh, 2015). In the following section, the three main research paradigms will be outlined while the decision for the chosen paradigm for this research, positivism, will be justified.

Research paradigms originate from different philosophies and the number of paradigms in social research has evolved over the years. The earliest paradigm was positivism which

originated from the realism philosophy. Shortly after that, the paradigm of interpretivism originated from the philosophy of idealism (Leech and Onwuegbuzie, 2009, p.266; Collis and Hussey, 2014, pp.43-44). Much later a third paradigm, pragmatism, which was not based on any single philosophy, was adopted as one of the major paradigms (Creswell, 2014; Collis and Hussey, 2014, p.54; Johnson and Onwuegbuzie, 2004, p.14; McCusker and Gunaydin, 2015, p.537).

The positivism paradigm is underpinned by the belief that there can only be one social reality and that this reality is objective and cannot be influenced by the process of investigation (Collis and Hussey, 2014, p.43). Positivism argues that knowledge results from "positive information" as it can be justified scientifically. In other words, it is possible to provide mathematical proof for every rationally justifiable assertion (Collis and Hussey, 2014, p44). Therefore, in the positivist paradigm, scientific methods are used in social research and usually consist of numerical data used to rigorously test hypotheses (Teddlie and Tashakkori, 2009, p.4; Collis and Hussey, 2014, p.520). The positivist research paradigm, therefore, uses a quantitative methodology and methods of collecting and analysing data using statistical analysis of the quantitative data collected (Collis and Hussey, 2014, p.44; Antwi and Hamza, 2015, p.220). Research conducted according to the positivist paradigm employs deductive reasoning which is intended to develop theories to assist in the understanding of certain phenomena (Collis and Hussey, 2014, p.43). Basically, with positivism, theories provide the basis for explanations, the anticipation of certain phenomena and the prediction of their occurrences and therefore allows for the control of certain variables (Collis and Hussey, 2014, p.44).

The interpretivism paradigm, on the other hand, was developed to address the limitations of the positivist paradigm. According to the interpretivism paradigm, there exist multiple social realities, given that social reality is subjective because it is shaped by individual perceptions. Therefore, social reality can be affected by investigations (Collis and Hussey, 2014, p.45). Research conducted within this paradigm is mainly inductive and seeks to provide an interpretive understanding of the phenomena under investigation within a particular context (Collis and Hussey, 2014, p.44). Interpretivism is also connected to qualitative methodology and uses qualitative methods of analysis to interpret qualitative data (Collis and Hussey, 2014, p.44; Thanh and Thanh, 2015, p.26).

Pragmatism involves the use of multiple paradigms and methodologies as well as different methods of data collection and analysis in a single study. It is also often referred to as mixed-method research (Creswell, 2014).

As discussed in the section above, the three paradigms are underpinned by different assumptions, which accounts for the differences between the paradigms (Collis and Hussey, 2014, pp.46-47). Table 5.1 below summarises and differentiates the assumptions underlying each of these paradigms.

Table 5.1: Assumptions of the three research paradigms.

Philosophical assumption	**Positivism**	**Interpretivism**	**Pragmatism**
Ontological assumption (the nature of reality)	Social reality is objective and external to the researcher.	Social reality is subjective and socially constructed.	Assumes diverse viewpoints regarding social realities. Social realities are best explained within personal value systems.
	There is only one reality.	There are multiple realities.	Singular and multiple realities (e.g., researchers test hypotheses and provide multiple perspectives.
Epistemological assumptions (what constitutes valid knowledge)	Knowledge comes from objective evidence about observable and measurable phenomena.	Knowledge comes from subjective evidence from participants.	Knowledge comes from both objective and subjective points of view, depending on the stage of the research cycle.
	The researcher is distant from phenomena under study.	The researcher interacts with phenomena under study.	Practicality (e.g., researchers collect data by "what works" to address the research question.
Axiological assumption (the role of values)	The researcher is independent of phenomena under study.	The researcher acknowledges that the research is subjective.	Values are important in result interpretation. Accept external reality. Choose explanations that best produce desired outcomes.
	The results are unbiased and value-free.	The findings are biased and value laden.	Assumes multiple stances (e.g., researchers include both biased and unbiased perspectives).
Rhetorical assumption (the language of research)	The researcher uses the passive voice, accepted quantitative words and set definitions.	The researcher uses the personal voice, accepted qualitative terms and limited a priori definitions.	Formal and informal (e.g., researchers may use both formal and informal styles of writing).
Methodology assumption(the	The researcher takes a deductive approach.	The researcher takes an inductive approach.	The researcher takes both an inductive and hypothetical deductive approach.

process of research)	The researcher uses a static design to identify categories in advance, to study studies cause and effect relationships.	The researcher uses an emerging design to identify categories during the process to study the topic within its context.	Combining (e.g., researchers collect both quantitative and qualitative data and mix them)
	Generalisation leads to prediction, explanation and understanding.	The researcher develops Patterns or theories for understanding.	
	Results are accurate and reliable through validity and reliability.	Findings are accurate and reliable through verification.	

(**Source**: Tashakkori and Teddlie, 1998, p.23; Teddlie and Tashakkori, 2009, p.88; Creswell and Clark, 2011, p.42; Collis and Hussey, 2014, pp.46-47).

As shown in Table 5.1 above, while the interpretivism and positivism are based on definite ontological, epistemological, axiological, rhetorical and methodological assumption, the pragmatism paradigm accepts all other paradigms of scientific inquiry as valid provided they are deemed an appropriate fit (Creswell and Clark, 2011, p.45; Kalolo, 2015, p.155). A positivist paradigm will be used in this research and will use quantitative methods to collect and analyse quantitative data. The following paragraphs discuss the implications of the positivism assumptions fundamental to this research.

Regarding the ontological assumption, this research assumes that there is only one reality and it exists externally and is independent of the mind (Tashakkori and Teddlie, 1998, p.28). Consequently, in this research there is only one reality relating to the macro-locational determinants, the motives of Chinese FDI and challenges faced by Chinese firms in Cameroon. It also assumes that this reality exists externally and is independent of the mind of the researcher.

With regard to the epistemological assumption, this research assumes that what constitutes valid knowledge comes from objective evidence about observable and measurable phenomena. Thus, to realise the objectives of this research, as stated in Chapter 1, objective, measurable evidence, that can be justified mathematically will be used. Furthermore, the researcher is distant from the phenomena under investigation and makes use of existing secondary quantitative data to identify the macro-locational determinants of Chinese FDI and primary quantitative data to identify Chinese FDI motives and challenges experienced in Cameroon.

Considering the axiological assumption, the researcher is independent of the investigation as the respondents' perceptions are provided independently of the researcher. This implies that the findings from the research will be unbiased and value-free of the researcher's own personal perspectives. With regard to the rhetorical assumption, the language of the research is formal, as the researcher uses the passive voice, accepted quantitative concepts and set definitions which support a deductive approach.

Closely aligned with the axiological assumptions are the methodological assumptions. In this regard, this research is deductive and based on FDI theories (Collis and Hussey, 2014, p.63). Furthermore, explanations and understandings on the determinants and motives of Chinese FDI in Cameroon may be drawn from the analysis, where the accuracy and reliability of the results of the analysis are justified through reliability and validity.

To further explain the methodological process of this research, the research consisted of two phases. In phase one the data on the macro-locational determinants of Chinese FDI variables in Cameroon were collected from existing secondary data bases. In phase two data on the motives of and challenges experienced by Chinese FDI in Cameroon were collected from primary sources. The rationale for this design is that the quantitative data sets and their subsequent analyses address the different objectives in the two phases of the research. That is, phase one data set and analysis addresses the macro-locational determinants of Chinese FDI in Cameroon and phase two data set and analyses addresses the motive of and challenges experienced by Chinese FDI in Cameroon.

Having explained the research paradigm and approach adopted in this research, the next important step is to link the paradigm to the corresponding type of research. Teddlie and Tashakkori (2009, pp.22-23) note that positivism, interpretivism and pragmatism are linked to different types of research. As mentioned previously, the assumptions of this research are underpinned by the positivism paradigm which is associated with quantitative research. Quantitative research will be discussed in the next section.

5.4 QUANTITATIVE RESEARCH

Quantitative research, underpinned by the positivism paradigm, can either be confirmatory or descriptive (Teddlie and Tashakkori 2009, p.23). Confirmatory research is mainly driven by theory and the existing state of knowledge on the phenomenon under investigation (Teddlie and Tashakkori, 2009, p.23). Thus, confirmatory research is often conducted to test assertions that are based on specific theories or frameworks (Teddlie and and Teddlie, 2009, p.23). Descriptive research, on the other hand, is driven by the need to determine the attributes of the phenomenon under investigation, or to determine any relationships between variables (Teddlie and Tashakkori, 2009, p.23). Furthermore, quantitative research is based on deductive reasoning which involves arguing from a general point of view, usually from a theory or a framework to a particular point of view (Teddlie and Tashakkori, 2009, p.23). As mentioned in Section 5.3, this research is based on deductive reasoning and it is confirmatory in nature since it will test assertions that are based on the specific macro-locational determinants of FDI, and motives of FDI theories, the importance of selected economic determinants for achieving specific FDI motives and assertions of challenges faced by Chinese FDI used in this research. It is important to note the major strengths and weaknesses of a quantitative research, which are summarised in Table 5.2.

Table 5.2: Strengths and weaknesses of quantitative research.

Strengths	Weaknesses
• Testing and validating already constructed theories about how (and to a lesser degree, why) phenomena occur. • Testing hypotheses that are constructed before the data are collected. Can generalise research findings when the data are based on random samples of sufficient size. • Can generalise a research finding when it has been replicated on many different populations and subpopulations. • Useful for obtaining data that allow quantitative predictions to be made. • The researcher may construct a situation that eliminates the confounding influence of many variables, allowing one to more credibly assess cause-and-effect relationships. • Data collection using some quantitative methods is relatively quick (e.g., telephone interviews). • Provides precise, quantitative, numerical data. • Data analysis is relatively rapid (using statistical software). • The research results are relatively independent of the researcher (e.g., effect size, statistical significance). • It may have higher credibility with many people in power (e.g., administrators, politicians, people who fund programmes). • It is useful for studying large numbers of people.	• The categories used by the researcher may not reflect local constituencies' understandings. • The theories used by the researcher may not reflect local constituencies' understandings. • The researcher may overlook phenomena occurring because of the focus on theory or hypothesis testing rather than on theory or hypothesis generation (called the confirmation bias). • Knowledge produced may be too abstract and general for direct application to specific local situations, contexts, and individuals.

(**Source**: Johnson and Onwuegbuzie, 2004, p.19).

From the information provided in Table 5.2, it is clear that the strengths of quantitative research outweigh the weaknesses. As shown in Table 5.2, the major strengths include the ability to generalise findings, a less time-consuming data collection method and the provision of numerical data which is easy and less time-consuming to analyse. The major weakness is that it may fail to generate new theories and concepts due to the focus on testing theories and hypothesis.

Having discussed the strengths and weakness of quantitative research, the section below will identify the methodologies and methods associated with quantitative research and justify those applied to this research.

5.5 METHODOLOGY AND METHODS

The term methodology refers to the approach adopted toward the research process and it often constitutes different methods (Collis and Hussey, 2014, p.59; Creswell, 2014, p.54). A methodology is further described as a systemic process followed to answer the research questions (Kothari, 2004, p.8). A method on the other hand refers to the techniques applied in collecting and analysing data (Collis and Hussey, 2014, p.59). It should be noted that even though several methodologies and methods exist for the collection and analysis of research data, the methodology and methods must be chosen to synchronise with the research paradigm (Collis and Hussey, 2014, p.59). The methodologies associated with positivism research include, experimental studies, cross-sectional studies, longitudinal studies, and surveys (using primary and secondary data) (Collis and Hussey, 2014, p.60). This research adopted a survey methodology which will be discussed below together with the reason for the choice of a survey methodology for this research.

5.5.1 Survey methodology

A survey methodology is often thought of as the primary option when attempting to understand or learn something about a population (Fowler, 2014, pp.2-3). A survey methodology is used to collect both primary and secondary data from a sample, with the intention of using statistical methods to analyse the data and generate results which can be generalised to a population (Collis and Hussey, 2014, p.62). Thus, the aim of a survey methodology is to assist researchers in generalising findings from a sample to a population so that inferences can be made about the characteristics and behaviours of the population based on the findings obtained from the sample (Creswell, 2014, p.203). This implies that a survey methodology provides numerical results about trends and attitudes of a population by collecting data from a sample rather than from every individual in a population (Creswell, 2014, p.201; Fowler, 2014, p.2). In addition, to facilitate the generalisation of findings in a survey research, it is advisable to select a large and unbiased sample (Collis and Hussey, 2014, p.63).

Two types of surveys can be identified – descriptive survey and analytical survey. Descriptive surveys are used to provide an accurate representation of the phenomena under investigation at certain points in time. An analytical survey methodology is adopted when investigating whether a relationship exists between variables (Collis and Hussey, 2014, p.63), as in this research and entails using the first set of hypotheses as stated in Chapter 1, Section 1.2.3 to investigate the relationship between Chinese FDI and the proposed macro-locational determinants of FDI. However, a prerequisite for adopting an analytical survey methodology is that a theoretical framework is developed which facilitates the identification of the independent and the dependent variables (Collis and Hussey, 2014, p.63). An analytical survey is suitable for phase one of this research, where the determinants of Chinese FDI in Cameroon were identified based on FDI theory and literature. In addition, a descriptive survey methodology is also appropriate for phase one of this research, given that data on the macro-locational determinants of FDI (independent variables) and the stock of Chinese FDI in Cameroon as a percentage of GDP (dependent variable) from 2003 to 2017 were used to provide a representation of the macro-locational determinants of Chinese FDI during the selected period. In phase two of the research, both a descriptive and analytical survey methodologies will be adopted to ascertain the importance of selected economic determinants for achieving specific Chinese FDI motives, to identify the challenges of Chinese FDI as well as to determine whether a relationship exist between privately and state-owned Chinese firms in Cameroon and the FDI motives. This will assist in understanding and providing an accurate representation of the current motives of and challenges faced by Chinese FDI in Cameroon.

Besides the above considerations, an analytical survey and a descriptive survey methodology was considered suitable for phase 1 and 2 of this research respectively, as it is economical and time saving. Given that data in phase 1 data is collected from secondary sources and data in phase 2 data is collected from only a sample of the population. A further justification for the survey methodology used in this research is provided by Neuman (2000, p21) who argues that surveys are used for three main purposes. Firstly, for exploratory purposes to explore new research topics and areas of interest. Secondly, for descriptive purposes to conduct enquiries on phenomena that require urgent attention. Lastly surveys are used for explanatory purposes to confirm predictions from theories and frameworks. As mentioned previously, in the case of this research both analytical and descriptive purposes. However, it is also worth noting that surveys can be longitudinal or cross-sectional. Longitudinal surveys entail the collection of

data over time, while cross-sectional surveys – as used in this research – entail collecting data at one point in time (Håkansson, 2013, p.6; Creswell, 2014).

As is often the case with social science methodologies, survey methodology is not without its failings. Firstly, a full-scale field survey where the entire population is involved may be prohibitively expensive. It may be beneficial, therefore, to explore the option of collecting data through secondary sources before carrying out a field survey (Fowler, 2014, p.3). This was the reason for the use of data from secondary sources in phase 1, and a sample of the population to collect data in phase 2. Another weakness of the survey methodology is that the choice of procedures, including the question design, the sampling, and the method of data collection may seriously hamper the quality of the data collected from the survey (Fowler, 2014, p.3; Ponto, 2015, p.169). The procedures chosen for data collection must, therefore, be carefully considered and analysed before adopting a survey methodology. However, despite the weaknesses of the survey methodology, it is still a valuable and appropriate methodology which is beneficial in describing and exploring various research variables (Ponto, 2015, p.171).

5.5.2 Data collection procedure

It is often argued that to collect data requires a certain procedure and this is often dependent on the research paradigm (Collis and Hussey, 2014, p.197, Thanh and Thanh, 2015, pp.24-27). Collis and Hussey (2014, p.197) explain that for a researcher to collect data in a positivist study, it is important to follow the data collection procedure depicted in Figure 5.1 below.

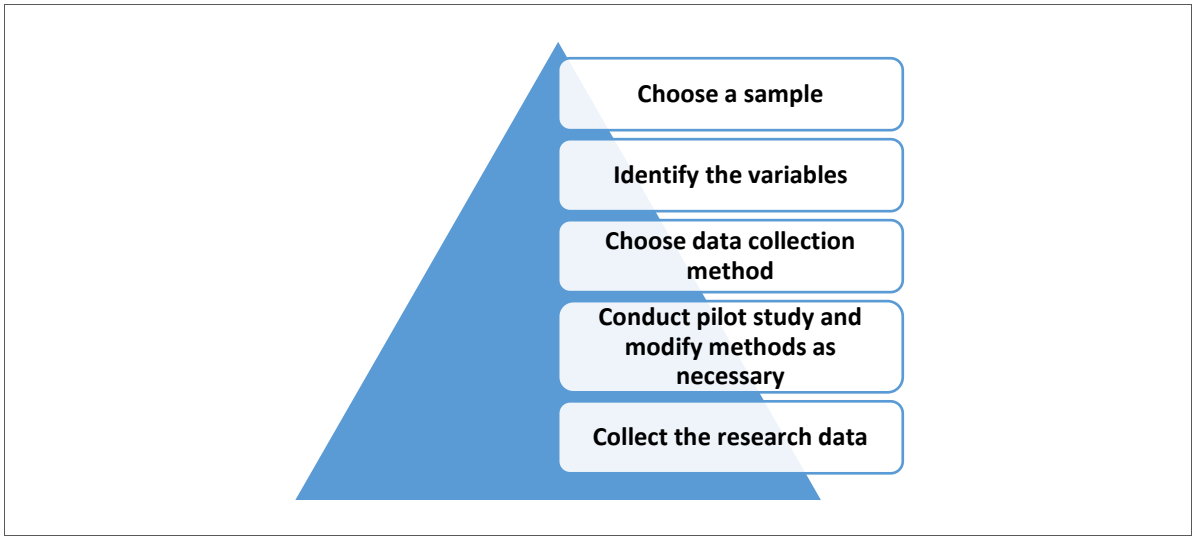

Figure 5.1: Data collection procedure
(**Source**: Collis and Hussey, 2014, p.197).

As depicted in Figure 5.1, the data collection procedure for this research will be outlined in the following section.

5.5.2.1 Sampling

Sampling is generally described as the process of selecting a sample from a population and is referred to as being a subset of the population (Collis and Hussey, 2014, p.197; Ponto, 2015, p.169). The individuals in the sample are known as the participants (Mohsin, 2016, p.11). The main reason for sampling is that it is often impossible to access every individual or item in a population (Acharya, Nigam and Prakash, 2013, p.330; Mohsin, 2016, p.11). However, in quantitative research the main purpose of sampling is to select a sample which represents the larger population and can provide accurate generalisations on the larger population (Ishak and Bakar, 2014, p.29). This implies that the accuracy of the findings and generalisability of the results is greater when the sample is a true representation of the population (Mohsin, 2016, p.11). For this to be the case, the sample must possess the same characteristics as the population (Ponto, 2015, p.169; Mohsin, 2016, p.11). However, with regard to sampling in a survey methodology, Ponto (2015, p.171) argues that a survey methodology is most valuable when the researcher is aware of the potential sources of error in sampling and mitigates the sources of error in order to produce practical findings. Table 5.3 below summarises the various sources of error in survey research and strategies that researchers may apply to minimise the errors.

Table 5.3: Sources of error in survey research and strategies to reduce error.

Type of error	Sources of error	Strategies to minimise error
Coverage error	There is a zero chance or unknown chance of the individuals in the population to be included in the sample.	Apply a multimode design.
Sampling error	The individuals included in the sample do not represent the characteristics of the population.	Clearly identify the population of interest; adopt a large sample with diverse participants.
Measurement error	Questions and instruments do not reflect the topic, questionnaires and interviews do not induce truthful answers.	Use valid and reliable instruments; pre-test questions, pay attention to the language and visual characteristics in the questionnaire.
Non-response error	Not all individuals in the sample respond to the questions.	Adopt a user-friendly survey design; follow-up procedures for non-responders.

(**Source:** Adapted from Ponto, 2015, p.169).

The following section will provide an overview of the sampling procedure applied in this research as well as how the errors, if applicable were addressed in this research, as suggested in Table 5.3 above.

The selection of sample requires certain procedures, known as the *sampling procedures,* to be followed and these are depicted in Figure 5.2 below.

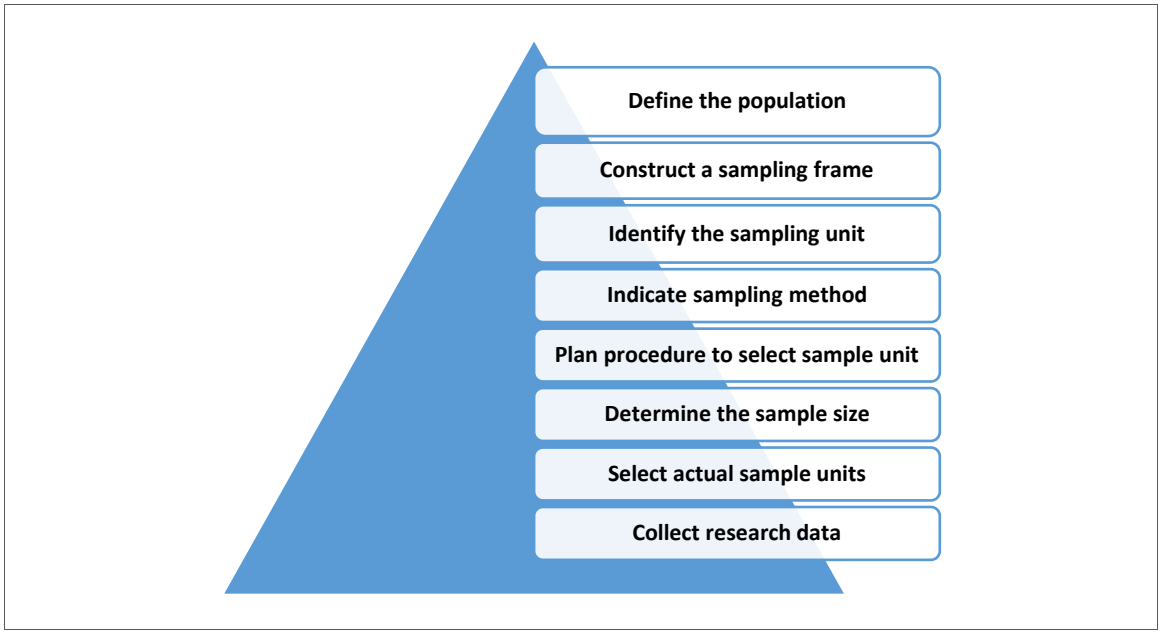

Figure 5.2: The sampling procedures
(**Source**: Adapted from Quinlan, et al., 2015, p.171).

The sampling procedure followed during the course of this research study (depicted in Figure 5.2 above) will be outlined in the following section. It is important to note that the sampling procedure as described is only relevant for phase two of this research as phase one only entailed the collection of data, from existing secondary data bases, over time on the proposed macro-locational determinants (independent variables) and the stock of Chinese FDI in Cameroon (dependent variable) from 2003 to 2017 to create a time series.

a) Population

A population is a group of people or items under investigation for statistical purposes (Collis and Hussey, 2014, p.197). A population can also refer to the number of people, items or cases that are the subject of the research (Etikan, Musa and Alkassim, 2016, p.1). For phase two of

this research, the population for this study consisted of all Chinese firms operating in Cameroon.

b) Sampling frame

A sampling frame refers to the list of all groups of individuals or items in the population that could potentially be selected from the population (Bryman and Bell, 2011, p.176; Collis and Hussey, 2014, p.197; Quinlan, et al., 2015; Martínez-Mesa, et al., 2016, p.327). For phase 2, it was impossible for the researcher to obtain a list of all Chinese firms operating in Cameroon. Thus, the sampling frame in phase two of this research could not be determined. It is generally understood to be difficult to determine the actual number and names of especially Chinese firms operating abroad due to the discrepancies between the Ministry of Commerce of the People's Republic of China's (MOFCOM) data and actual field data on the number of Chinese firms operating in those countries (Kvisgaard, 2006, p.2; Ning and Sutherland, 2012, pp.169-170). More specifically, with regards to Cameroon, Khan and Baye (2008, p.6) assert that there are no official records that track investments of Chinese firms, especially Chinese firms in the private sector of the country.

c) Sampling unit and unit of observation

The sampling unit refers to the group of individuals or elements selected from the sample frame (Collis and Hussey, 2014, p.197; Quinlan, et al., 2015, p.173; Martínez-Mesa, et al., 2016, p.327). For phase two of this research, the sampling unit consisted of the selected Chinese firms operating in Cameroon.

The unit of observation of observation often refers to who data will be collected from or who the respondents will comprise of (Sedgwick, 2014, p.1). For phase two, the unit of observation consisted of managers, owners or designated persons appointed by the owners or managers of the selected Chinese firms to complete the research questionnaires.

d) Sampling method

Generally, two major types of sampling can be identified – probability sampling and non-probability sampling (Bryman and Bell, 2011, p.173; Martínez-Mesa, et al., 2016, p.327). In probability sampling, all units or participants from the population have an equal chance of being selected for the research (Quinlan, et al., 2015, p.178; Martínez-Mesa, et al., 2016, p.327). This explains why most researchers using probability sampling claim that the sample is representative of the population (Quinlan, et al., 2015, p.179). With non-probability sampling, the probability of selecting some individuals or elements from the population is often

insignificant (Martínez-Mesa, et al., 2016, p.327). Even though the sample is selected to represent the population, this sample is not an actual representation of the population (Quinlan, et al., 2015, p.178) and, hence, the findings from the sample cannot be generalised to the population (Martínez-Mesa, et al., 2016, p.327). Examples of non-probability sampling techniques include convenience sampling, snowball sampling, quota sampling and purposive sampling.

For phase two of this research, non-probability sampling was used because a sampling frame could not be established thus eliminating the option of selecting probability sampling. An explanation of why convenience and snowball sampling were used in phase two of data collection in this research will be provided in the next section.

- **Convenience sampling**

In convenience sampling, the researcher selects a sample based on the researcher's ease of access to the participants (Bryman and Bell, 2011, p.190; Quinlan, et al., 2015, p181). The sampling process only concludes when the required sample size is attained or the time limit is reached (Welman, Kruger and Mitchell, 2012, p.69; Martínez-Mesa, et al., 2016, p.329). One of the major advantages of convenience sampling is affordability and the ease of access to participants (Etikan, Musa and Alkassim, 2016, p.2). A key assumption in convenience sampling is that of a homogeneous population suggesting that the results will remain consistent even if random sampling was applied or data was collected from an inaccessible location. Despite this assumption, the primary concern is whether the probability of bias could potentially limit the generalisation of results (Welman, Kruger and Mitchell, 2012, p.70). Welman, Kruger and Mitchell, (2012, p.70) argue that the probability of bias is less significant when there are fewer differences in the population. This is the case in this research as the population is relatively homogeneous given that it includes only Chinese firms operating in Cameroon. However, considering that there might be slight variations among the firms in terms of sectors and sizes, Chinese firms of varying sizes and operating in different sectors were approached to participate in this study.

In phase two of this research, using convenience sampling is appropriate as the firms are located throughout Cameroon and it is difficult for the researcher to locate all the areas in Cameroon, particularly politically unstable and violent areas in Cameroon, such as in the

northern and south west regions of the country. The researcher, therefore, selected firms that were easy to access.

- **Snowball sampling**

In snowball sampling, the researcher identifies a participant relevant for the study and then requests that the participant recommends other participants with similar characteristics, and this continues until the desired sample size for the research is achieved (Bryman and Bell, 2011, p.192; Quinlan, et al., 2015, p.181; Martínez-Mesa, et al., 2016, p.329). The sample size thus increases like a "rolling snow ball" until the pre-determined sample size is arrived at (Welman, Kruger and Mitchell, 2012, p.69).

The snowball sampling method is appropriate for this study, given that the researcher does not have a list of all Chinese firms operating in Cameroon and therefore has chosen to enlist the assistance of willing participating firms to identify other Chinese firms that could usefully participate in the study.

e) Sample size

The sample size refers to the number of people or items in a sample (Al Kindy, Shah and Jusoh, 2016, p.896). Determining a sample size is a critical decision, given that it determines the extent to which the researcher can make inferences from the sample to the general population (Onwuegbuzie and Collins, 2007, p.288). Collis and Hussey (2014, p.198) emphasise the importance of large sample sizes in quantitative research as it increases the probability of the sample being representative of the population, lowers the errors in generalising results, and enables the use of a wide a variety of important statistical techniques (Collis and Hussey, 2014, p.198). Welman, Kruger and Mitchell, (2012, p.72) provide suggestions to consider when determining a sample size and indicate the instances in which a larger sample size is desirable. The size of the population is of primary importance because if the population is small, it is advisable to have a larger sample. Secondly, the variability of the variable should be considered because a larger sample is required if the population is varied. Thirdly, the homogeneity of each stratum of the population should be considered because if the sample is selected from varied strata, it is important to adjust the sample size to ensure that each stratum is well represented in the sample. Lastly, the response rate is a factor that should be considered, and a

researcher should select a larger than necessary sample to allow for participants who do not respond to the questionnaire. Welman, Kruger and Mitchell, (2012, p.71) concur with Collis and Hussey (2014, p.198) that a larger size is desirable as the standard error of the mean of a population reduces with an increase in the sample size. Table 5.4 below shows a calculation of various sample sizes and the standard errors inherent in the sample sizes.

Table 5.4: Sample size and corresponding standard error.

Sample size (n)	**Standard error**
20	2.24
50	1.40
100	0.99
250	0.62
500	0.44
1000	0.30
2500	0.17
5000	0.10

(**Source:** Welman, Kruger and Mitchell, 2012, p.71).

Apart from using considering standard errors when determining sample sizes, there are also other methods to calculate the sample size, but some of these methods require the exact size of the population, which is not available in this research (Isreal, 1992, p.4). Other methods to calculate sample sizes are based on assumptions about the types of errors, standard deviations and size (Kadam and Bhalerao, 2010).

For this research it was determined that a larger sample size was required. It was considered important to include firms from different sectors and sizes to increase the likelihood of the sample being a representative of all Chinese firms Cameroon in and because that there is no sample frame to facilitate the calculation of a sample size. For phase two of this research a sample size of 100 Chinese firms in Cameroon was selected. This is based on the calculation of standard error shown Table 5.4 above, which indicates that the error reduces significantly from a sample size of 20 to 100. For phase one of this study, the sample size consisted of existing secondary data collected over a period 14 years from 2003 to 2017, obtained from the

statistical bulletin of China's outward FDI, as reported in the World Bank's world development indicators database, the global competitiveness report, the IMF international financial statistics database, the Unined Nation's development program (UNDP) human development report and the Political Risk Services international country risk guide (PRS).

Having explained the sample procedure used in this study, the next step is to identify and explain the variables about which data will be collected (Collis and Hussey, 2014, p.201).

5.5.2.2 Variable identification and description

A variable refers to a characteristic of the study object or phenomenon under investigation that can be measured or observed (Welman, Kruger and Mitchell, 2012, p.16; Collis and Hussey, 2014, p201). Collis and Hussey (2014, p.201) emphasise that before data is collected, it is important to understand the characteristics of the variables of the phenomenon or study object being investigated and, according to Welman, Kruger and Mitchell, (2012, p.70), these variables refer to individuals, organisations, events, concepts, amongst others. Data collected on each of these variables, are usually numerical (Collis and Hussey, 2014, p.201) by means of a scale, which can be described as "a device providing a range of values that correspond to different values in a concept being measured" (Quinlan, et al., 2015, p.105). Collis and Hussey (2014, p.202) state that it is also important to identify the scale on which the variable was measured as it impacts on data analysis. There are a number of identified variables and scales which include ratio, interval, ordinal, nominal, discrete and continuous, dichotomous and dummy variables which use nominal and interval scales, and independent and dependent variables (Quinlan, et al., 2015, p.105). The section below will discuss the variables and scales according to the two phases in which data was collected in this research.

a) Phase one: Macro-locational determinants of Chinese FDI in Cameroon

- **Independent and dependent variables**

  The independent variable refers to the variables that influence the dependent variable (Collis and Hussey, 2014, p.204). The independent variables, shown in Table 5.5, for this research includes the explanatory variables of macro-locational determinants of FDI including, infrastructure, market size, human capital, political risk, trade openness,

inflation, exchange rate, interest rate, natural resources and the Global Competitive Index (GCI). The measurements (proxies) for these independent variables are also shown in Table 5.5 below.

The dependent variable refers to a variable that is influenced by one or a number of independent variables (Collis and Hussey, 2014, p.204). For this research, the dependent variable is the stock of Chinese FDI in Cameroon, measured in millions of US$ as a percentage of GDP. This implies that the stock of Chinese FDI in Cameroon increases or decreases when the values of the independent variables increases or decreases (Wang, 2012, p.23).

b) Phase two: Motives for Chinese FDI in Cameroon and understanding the challenges of Chinese FDI in Cameroon

- **Nominal variables**

  Nominal variables refer to variables that are measured on nominal scales which assist in the identification of named categories (Collis and Hussey, 2014, p202; Quinlan, et al., 2015, p.106). They can also be referred to as categorical variables (Collis and Hussey, 2014, p.202). For this research, nominal variables included the legal identify of the Chinese firm, the year in which the firm was established in Cameroon, the number of countries in which the firm operate, the number of employees employed by the firm, and the industry sector in which the firm operates.

- **Ordinal variables**

  Ordinal variables are measured using numerical codes in order to identify ranks or intensities (Collis and Hussey, 2014, p.202). Ordinal scales can also be referred to as continuous scales (Quinlan, et al., 2015), for example a Likert scale. This research used a 5-point Likert scale to identify the motives and the challenges faced by Chinese FDI in Cameroon. In the section on motives, the Likert scale ranged from “Not important (1) to Very important (5)”, for the challenges, ranged from “Strongly disagree (1) to Strongly agree (5)”.

5.5.2.3 Data collection methods

There are several methods available to researchers to collect research data. The choice of data collection method is dependent on the research aim, the type of data the study requires, the population, and where the data will be found (Quinlan, et al., 2015, p.152). Considering that this research adopts a positivist paradigm, the research data collected will be quantitative, that is, in numerical form. Furthermore, quantitative data can either be primary or secondary data (Collis and Hussey, 2014, p.196). To achieve the objectives of this research, data will be collected from both secondary (phase one) and primary sources (phase two), using different data collection methods as discussed below.

a) Phase one: Secondary data collection

Secondary data normally refers to numerical data collected from an existing source such as archives, commercial databases and official government documents (Collis and Hussey, 2014, p.196). Secondary data for this research consisted of numerical data on the stock of Chinese FDI (dependent variable) and the explanatory variables of macro-locational determinants of FDI (independent variables) from various databases. The data was collected from the following credible and reliable data sources and databases: the statistical bulletin of China's outward FDI, as reported in the World Bank's world development indicators database, the global competitiveness report, the IMF international financial statistics database, the United Nation's Development Program (UNDP) human development report and the Political Risk Services international country risk guide (PRS). Refer to Table 5.5 below for a description and proxies of the data sources for Chinese FDI (dependent variable) and the explanatory variables of the macro-locational determinants of FDI (independent variables).

The data consisted of quarterly/yearly data collected for the period 2003 to 2017 to generate a time series data. A time series refers to data collected and recorded sequentially over time (Ihaka, 2005, p.1; Reinert, 2010, p.2). Although the data were primarily quarterly time series, a few variables were only available annually. The reports that are issued annually included the stock of Chinese FDI, GCI, infrastructure, natural resources and human capital. The data were

interpolated to obtain quarterly data using the quadratic match average method on EViews, following the method of Aziakpono (2005).

Table 5.5: Secondary data: Variable, description, proxies and data sources.

Variable	**Description**	**Proxy**	**Data source**
Chinese FDI (independent variable)	Chinese investment in Cameroon	Stock of Chinese FDI in Cameroon as a percentage of GDP	Statistical bulletin of China's outward FDI (2010;2018)
Infrastructure	Level of infrastructural development	Access to electricity (% of total population)	World Bank's world development indicators database (2019)
Market size (dependent variable)	The size of the market	Real GDP	World Bank's world development indicators database (2019)
Human capital	Perceived level of human capital	Human development Index	UNDP-Human development report (2019)
Political risk	Degree of political stability	Cameroon's rating for political stability and absence of violence	Political Risk Services' international country risk guide (2019)
Trade openness	Degree of openness to trade	Ratio of imports and exports to GDP	IMF's International Financial Statistics (IFS) database (2019)
Inflation	Inflation rates	Changes in consumer price index	IMF's IFS database (2019)
Exchange rate	Domestic currency price of a dollar	Real effective exchange rate (REER)	International Monetary Fund's (IMF's) IFS database (2019)
Interest rate	Represents the cost of capital	Discount rate	IMF's IFS database (2019)
Natural resources	Level of endowment in natural resources	Metal and ore (% of merchandise exports)	World Bank's world development indicators database (2019)
Global competitiveness index (GCI)	Productivity, public institutions and technical conditions	Global competitiveness index (GCI)	Schwab and Porter 2006;2008) Schwab (2010-2018)

(**Source**: Researcher's own compilation, 2020).

b) Phase two: Primary data collection

Primary data refers to new data collected under a natural setting from an original source such as a survey or an experiment (Collis and Hussey, 2014, p.196). There are a wide variety of methods available for a researcher to collect primary data including observations, experiments, interviews, case studies, focus groups and questionnaires (Quinlan, et al., 2015, p.152). The following section will justify why a questionnaire was used to collect the primary data in phase two of this research.

The main aim of a questionnaire is to generate findings from respondents' responses to address the research objectives (Collis and Hussey, 2014, p.205). For this research study, the following sequential steps were followed to design the questionnaire – the questions and instructions were drafted, the order of presentation was decided, the covering letter was drafted, the pilot study was done, and the method of distribution was decided. Each of the steps will be elaborated upon for clarity.

- **Design of questions and instructions**

  In designing questions and instructions, an important consideration is the accurate and unambiguous wording and grammar, which should be clear, simple and easy to understand (Rattray and Jones, 2007, p.237; Lietz, 2009, p.251: Collis and Hussey, 2014, p.206). In addition, the sequence in which the questions are stated must facilitate the understanding by respondents (Lietz, 2009, p.250; Collis and Hussey, 2014, p.205). For the purposes of this research and to ensure that the participants provided reliable responses the criteria mentioned were met. The questions posed were clear and simple and comprised both closed and open-ended questions. The closed questions included nominal and ordinal variables as explained in Section 5.5.2.2 of this chapter. The ordinal variables pertained to the 5-point Likert scales used in Sections 2 and 3 of the questionnaires. Likert scales are based on the assumption that experiences can be measured on a linear scale, as its intensity is continuous, and usually ranges from strongly agree to strongly disagree (Rattray and Jones, 2007, p.235). Likert scales can also range between a 5- and a 9-point scales, and they all indicate the respondent's intensity of experience or relevance (Rattray and Jones, 2007, pp.235-236). In this research a 5-point Likert scale was used based on Leung's (2011, pp.419-420) findings that even though there are no significant differences between the types of Likert scales, the use of either a 5 or an 11-point Likert scales is preferred, given that these scales are more approximate to a neutral point.

- **Order of presentation**

The questionnaire was divided into three sections, namely,

Section 1: Background information about the firm.
In this section, respondents were required to respond to closed questions, indicating the legal identity of their firm, the year in which the firm was established in Cameroon, how many countries the firm operates in, the number of employees and the industry sector in which their firm operates. This section of the questionnaire was adapted from Voss (2007).

Section 2: Motives for Chinese FDI in Cameroon.
In this section, respondents were requested to respond to a list of possible factors which motivated their firms to invest in Cameroon by means of a 5-point Likert scale ranging from "Not very important (1)" to "Very important (5)". This section included 20 statements relating to the motives for FDI in Cameroon. In addition, respondents were invited to make further comments in an open question about any other motives that may have motivated the firm to invest in Cameroon. This section of the questionnaire was adapted from Voss (2007).

Section 3: Understanding the challenges of Chinese FDI in Cameroon.
In this section, respondents were requested to respond to a list of challenges faced by FDIs by means of a 5-point Likert scale ranging from "Strongly disagree (1)" to "Strongly agree (5)". This section included eight statements relating to the challenges of Chinese FDI in Cameroon. In addition, respondents were invited to make further comments in an open question about any other challenges they faced when operating in Cameroon. This section of the questionnaire was adapted from Kudina (1999).

- **Covering letter**

The questionnaire was accompanied by a covering letter in which the purpose of the research was explained. Prior to completing the questionnaire, the respondents were asked to complete an informed consent form. The covering letter, the informed consent form and the questionnaire (refer to Appendix A) were available both in English and

Mandarin in an effort to overcome any language barrier which is considered an important consideration in questionnaire design and to optimise the response rate. The translation of the documents into Mandarin was done by a competent staff member at the Centre for Chinese Studies, Confucius Centre at Rhodes University. The researcher used Google translate and also distributed the questionnaire to a Chinese manager and owner of a Chinese firm in South Africa, who speaks English and Chinese, to confirm the translation of the questionnaire.

- **Pilot study**

  According to Quinlan, et al (2015, p.279), a pilot study refers to the process of pre-testing the design of the research instrument, to improve the instrument before it is used in a survey. The main reason for piloting is to improve the understanding of each item on the questionnaire and to ensure that the required responses are provided (Quinlan, et al., 2015, p.279). The respondents in a pilot study can range anywhere from between 5 to 15 respondents and may constitute people who are similar to the respondents or research professionals (Zikmund, 1994, p.216; Quinlan, et al., 2015, p.279)

  To ensure that the questionnaire is easy to understand and that it assists in obtaining the required information. The questionnaire was submitted to the researcher's supervisor for suggestions and approval. In addition, the questionnaire was distributed to a Chinese firm in South Africa, and four postgraduate fellow candidates to verify understanding of questionnaire and identify any potential problematic questions or other issues in the questionnaire.

- **Method of distribution**

  When conducting research studies there are various methods of distributing questionnaires. These include using the postal service, a drop and collect method, or questionnaires may be administered in groups, online, by telephone or face-to-face (Quinlan, et al., 2015, pp.155-156). For this research study, the questionnaires and covering letter were forwarded to the contact person in Cameroon, who distributed the questionnaires to the Chinese firms. The researcher briefed the contact person about the research and how to collect the research data as outlined in chapter 5. In addition, the researcher provided a detailed explanation of the various sections of the research

questionnaire. The questionnaires were distributed using either face-to-face or drop and collect distribution methods, depending on the agreement between the contact person in Cameroon and the relevant personnel in the Chinese firm. In the case of face-to-face distribution, the questionnaire was completed in the presence of the contact person, while with the drop and collect distribution method the contact person was asked to return when the questionnaire had been completed. In other instances, the contact person distributed the questionnaire to the owners or, managers of the firms. The owners or managers completed the questionnaires or assigned an appropriate person to complete the questionnaire. The contact person regularly followed up with phone calls and visits to the various firms for a month to collect the questionnaires until there were no further completed questionnaires to collect or no more participants were willing to complete the questionnaires. Despite these distribution methods being both time consuming and expensive in terms of the travelling required to the various locations in Cameroon, they allowed for flexibility as the questionnaire was distributed in different locations, and this method also increased the response rate and the reliability of the data as potential misconceptions could be explained directly by the contact person in Cameroon (Collis and Hussey, 2014, p.206; Quinlan, et al., 2015, pp.155-156).

A common challenge with questionnaires, irrespective of the method of distribution, is "questionnaire fatigue" and "non-response bias". Questionnaire fatigue can be described as the unwillingness of people to complete questionnaires due to exhaustion from various requests to complete questionnaires (Collis and Hussey, 2014, p.207). Non-response bias occurs when questionnaires are not returned or completed (Collis and Hussey, 2014, p.207). Collis and Hussey (2014, p.207) suggest that to deal with these challenges, it is important to follow up with respondents. For this research, the contact person in Cameroon waited for the questionnaires to be completed or checked that the questionnaires were completed and, in other instances, made follow-up phone calls to encourage participation and enquire whether the questionnaires had been completed and were ready for collection.

Having explained the structure of the questionnaire and how data was collected, the next step is to explain the quality criteria in terms of validity and reliability in quantitative research (Bryman, Becker and Sempik, 2008, p.274).

5.6 QUALITY CRITERIA IN QUANTITATIVE RESEARCH

5.6.1 Validity criteria

Validity refers to the extent of truthfulness, logic, soundness, meaningfulness and usefulness of the research (Quinlan, et al., 2015, p.24). It also relates to the accuracy of a measurement, in terms of the extent to which the measurement is a true reflection of a concept (Quinlan, et al., 2015, p.24). Validity, in relation to data collection methods, is concerned with measurement validity (Quinlan, et al., 2015, p.274). Measurement validity refers to whether the designed data collection method will actually measure what it is aimed to measure (Bryman and Bell, 2011, p.280; Quinlan, et al., 2015, p.274). There are various ways to determine measurement validity which include internal, content, face, criterion-related, construct and population validity.

- **Internal validity**

  Internal validity is important when investigating the relationship between an independent variable and a dependent variable (Welman, Kruger and Mitchell, 2012, p.107). It refers to the degree to which changes in the dependent variable is as a direct result of the independent variable and not on any other external factor (Welman, Kruger and Mitchell, 2012, p.107). To ensure internal validity for phase one and two of this research, only independent variables with a 1%, 5%, 10% levels of significance were considered to have an effect on the dependent variable. Secondly, in phase one, the time-series properties of the variables were established through unit root tests and cointegration tests, discussed further in Section 5.7.3 below to avoid false results.

- **Content validity**

  Regarding content validity, the validity of the method of data collection is determined by accurately representing the phenomenon under investigation (Welman, Kruger and Mitchell, 2012, p.107). For phase one of the research, content validity was ensured by only collecting data from reliable and credible data sources as explained in the previous section. For phase two in this research, the content validity of the questionnaire was ensured by the researcher carefully studying the definitions of the various motives of FDI, as well as the components of each of the motives. Furthermore, the researcher

ensured that each of the components of the motives were represented in the questionnaire as defined in the theory and literature. In addition, the challenges faced by Chinese FDI firms were identified in a thorough review of the literature and were included in the questionnaire.

- **Face validity**

  Face validity is concerned with whether the research instrument can accurately measure the phenomenon under investigation (Quinlan, et al., 2015, p.274). In other words, whether the research instrument can assist the researcher in collecting useful data on the phenomenon under investigation. It is suggested that face validity can be enhanced by requesting feedback from experts on the questionnaire and using the feedback to improve the quality of the questionnaire (Quinlan, et al., 2015, p.274). The questionnaire was proofread by the researcher's supervisor and others to ensure that the questions were stated clearly, and that the questionnaire was logically structured. In addition, as mentioned previously, a pilot study was undertaken to identify any possible ambiguities or lack of clarity in the questionnaire. The translated questionnaire into Mandarin was verified by another Chinese manager and owner of a Chinese firm in South Africa, who speaks English and Mandarin.

- **Criterion-related validity**

  Criterion-related validity can also be referred to as instrumental validity (Quinlan, et al., 2015, p.275). This entails using certain standards, usually a research instrument designed by another experienced researcher, against which the standard of the data collection instrument is measured (Quinlan, et al., 2015, p.275). Criterion-related validity was only relevant for phase two which used a data collection instrument. For phase two of this research, the criterion-related validity was established by adapting all the sections of the questionnaire (Sections 1, 2 and 3) from research referred to Section 5.5.2.3 above.

- **Construct validity**

  Construct validity is usually important for data collection instruments with different indicators such as questions or statements Quinlan, et al., 2015, p.275). To establish construct validity requires the researcher to ensure that the indicators are related to each

other and to the phenomenon under investigation (Quinlan, et al., 2015, p.275) and to ensure the congruency of the data collection design method with the phenomenon under investigation. To ensure construct validity for phase two of this research, in addition to adapting all the sections of the questionnaire from previous studies as explained in Section 5.5.2.3, the researcher was familiar with the definitions, theory and literature on the motives of FDI, as well as the challenges faced by FDI in general and Chinese FDI in particular. In addition, the researcher adopted and justified the paradigm, methodology and research method for this research, bearing in mind their significance in assisting the researcher to achieve the objective of the study. In addition, the use of 5-point Likert scales was important as it assisted in identifying the respondent's level of intensity in relation to the concept. For example, a statement such as "to be closer to your Cameroonian suppliers" would identify whether market-seeking is a motive of FDI. A Likert scale ranging from "not important" to "very important" measures the degree to which market-seeking is a motive of FDI for the respondent. Lastly, a Confirmatory Factor Analysis (CFA) which is discussed in detail in Section 5.7.2 will be used to confirm the construct validity of the measuring instrument. Even though Hafiz and Shaari (2013, p.083) and (Hair, Anderson, Tatham and Black, 1995) suggest that a good factor loading is from 0.5 or greater, Shevlin and Miles (1998, p.86) indicates that a minimum factor loading is 0.3. Thus, the cut off value for the factor loading for this research is from the minimum loading of 0.3 or greater. In addition, the construct validity of the research will be enhanced with a goodness of fit test by means of the CFA, further discussed in Chapter 6, Section 6.3.2 (Hafiz and Shaari, 2013, p.085).

For phase one of this study, construct validity, in relation to the independent variable, refers to the degree to which the process used in identifying the independent variables assists in identifying the independent variable and no other variables (Welman, Kruger and Mitchell, 2012, p.115). For this research, the construct validity of the independent variables is established by identifying the independent variables (proposed determinants of FDI – see Table 5.5 above) from theories on FDI and literature on the determinants of FDI as discussed in Chapters 2 and 3, as well as from the statistical model by Buckley, et al. (2007) referred to in Chapter 1. Furthermore, the proxies for the independent variables are based on proxies from the previous researchers, Trinh and Nguyen (2015, pp.56-57, 61), Wafure and Nurudeen (2010, p.28), Eissa and Elgammal

(2014, p.10), Kisto (2017, p.371) and Buckley, et al. (2007) referred to in Chapter 1, from whose work the statistical model for the analysis of this research was adapted.

- **Population validity**

  Population validity refers to whether the findings from the sample of the population, may be generalised to the total population (Welman, Kruger and Mitchell, 2012, p.125). It is the opinion of the researcher that the findings may be generalised to the total population, as the sample of 100 included Chinese firms of different sizes and from different sectors to minimise sample bias (refer to Section 5.5.2). However, the researcher accepts that it is difficult for the sample to be completely free from biases and be a true representation of the total population, given that some valuable data might have been provided by some Chinese firms operating in regions not included in the study. Nonetheless, such variances may be very small, given that the researcher endeavoured to include firms in different sectors, with different legal identities, and of varying sizes.

From the above discussion on the types of validity, it is suggested that validity is concerned with whether the questionnaire is a valid measure of the phenomenon under investigation (Quinlan, et al., 2015, p.275). Furthermore, it addresses whether each question or item in the questionnaire is relevant and fundamental in the collection of relevant data on the phenomenon under investigation. This research ensured that all the requisite aspects of validity were considered.

5.6.2 Reliability criteria

Reliability is generally concerned with the credibility of the research (Quinlan, et al., 2015, p.274; Welman, Kruger and Mitchell, 2012, p.145). This essentially relates to whether the research is able to provide consistent findings repeatedly. More specifically, reliability is concerned with whether the instrument of data collection is able to provide the same result repeatedly and in different contexts (Mugenda and Mugenda, 2010, p.46; Quinlan, et al., 2015, p.274). George and Mallery (2003, p.231) suggest that one of the ways to establish reliability of the research instrument is by means of the Cronbach's alpha coefficient. For phase 1 of this research, reliability is confirmed through the unit root tests which also test the reliability of the time series properties of the variables. Reliability for phase 2 will be confirmed with the use of

Cronbach's alpha coefficient and a. Cronbach's alpha coefficient measures the degree to which the items in the scale are representative of the domain of the construct being measured (Hafiz and Shaari, 2013, p.082). The cut-off Cronbach's alpha coefficient for phase 2 of this research was between 0.60 and 0.70, which is within the generally acceptable limit (Nunnally and Bernstein, 1994, cited in Hafiz and Shaari, 2013, p.82).

5.7 RESPONSE RATE

In total, 117 questionnaires were received from the respondents. This accounted for 55.18% of the questionnaires that were distributed as shown in Table 5.6 below. However, out of the 117 questionnaires received, only 100 were usable, while 17 were excluded as being incomplete. Even though the response rate is dependent on the type of research and method of data collection, a response rate of 50% and above is considered acceptable for further analysis (Gordon et al, 2002, pp.25-26).

Table 5.6: Response rate calculation.

Questionnaire responses	Respondents
Questionnaire distributed	212
Questionnaires received	117
Unusable questionnaires	17
Usable questionnaire	100
Response rate	55.18%

(**Source**: Researcher's own calculation based on questionnaires distributed and received).

The next section discusses the methods of quantitative data analysis and identifies the method of data analysis that will be used in this research.

5.7 QUANTITATIVE DATA ANALYSIS

Quantitative analysis is concerned with the analysis of numerical data and analysis is done making use of various software programs (Quinlan, et al., 2015, p.312) such as SPSS, Excel or Stata. The quantitative analysis for phase one of this research will be carried out using Excel

and EView 10 and 11, while phase 2 quantitative analysis will be carried out using Stata 14.0. Quantitative analysis uses two types of statistical analysis for two main reasons – descriptive statistics for description and inferential statistics to make predictions (Quinlan, et al., 2015, p.359). Considering that this research gathers quantitative data, the descriptive and inferential statistics used to analyse the data in both phases of this research will be briefly discussed in the next sections.

5.7.1 Descriptive statistics

Descriptive statistics refer to statistical methods used to describe or summarise data collected (Collis and Hussey, 2014, p.226; Quinlan, et al., 2015, p.359) by means of tables, charts and graphs (Collis and Hussey, 2014, p.226). The most common descriptive statistics, as summarised in Table 5.6, include frequency tables, modes, mean, median, ranges, standard deviations, percentages and ratios (Bryman and Bell, 2014, p.318; Collis and Hussey, 2014; Quinlan, et al., 2015, p.359).

Table 5.7: Common examples of descriptive statistics

Mean	The mean refers to the average score. To calculate the mean, the sum of the value is divided by the numbers of values.
Mode	Refers to the value with the highest number of occurrences.
Median	Refers to the mid-value in a range of values.
Range	Describes the difference the minimum and maximum value.
Interquartile range	Eliminates outliers and measures dispersion in a data, by measuring the difference between the third and first quartile.
Standard deviation	Measure the spread of the data from the mean and mainly uses to compare data sets, with equal means and different ranges. It measured by calculating the square root of the variance. NB: The variance is the difference between each value in the range and the mean.
Common examples of descriptive statistics	
Frequency distributions	Compresses data and provides a clear image of the occurrences and distribution of the data.
Percentages	A scale which shows the distribution of data from 1 to 100.
Ratios	Illustrates the distribution of data, in terms of proportions.

(**Source:** Adapted by researcher from Collis and Hussey, 2014, pp.244-248 and Quinlan, et al., 2015, p.360).

For this research, descriptive statistics are used for phase 2 of the data gathering process to provide descriptions of the data collected on the importance of the economic macro-locational determinants, motives for and challenges faced by Chinese FDI in Cameroon. Mean, percentages and frequency distributions will be used to summarise the primary data and will be presented in tables. The inferential statistics used in this research is discussed in the next section.

5.7.2 Inferential statistics

Inferential statistics refers to the statistical methods used to draw inferences from a sample to a population (Collis and Hussey, 2014, p.261; Quinlan, et al., 2015, p.361). This implies that inferential statistics are used to make deductions about certain characteristics of a population, based on data from a sample of the population (Quinlan, et al., 2015, p.361). Inferential statistics are also used to make predictions about a population, based mainly on probabilities (Quinlan, et al., 2015, p.361). The various types of inferential statistics include the t-test, the Mann-Whitney test, ANOVA, correlation test, simple regression, linear multiple regression, Chi-square test, factor analysis and logistic regression. In this research, phase one used correlation and multiple regression by means of an Ordinary Least Square (OLS), while phase 2 used t-test, ANOVA, correlation test, CFA and logistic regression which are discussed in the paragraphs below.

- **Multiple linear regression**

  Multiple regression is used to measure the extent to which a dependent variable is predicted by many independent variables (Collis and Hussey, 2014, p.276; Quinlan, et al., 2015, p.362). For phase one, multiple regression by means of an Ordinary Least Square (OLS) will be used to achieve the first objective of this research, which is to ascertain the significance of the proposed macro-locational determinants of Chinese FDI, and to test the first set of hypotheses stated in Chapter 1, Section 1.2.3. The OLS is one of the most widely and appropriate multiple linear regressions used to fit linear statistical models (Hayes and Cai, 2007, p.709). It was thus deemed appropriate to fit the statistical model from Buckley, et al. (2007) adapted for this research study.

- **T-test**

  A t-test is a widely used statistical tool (Kim, 2015, p.540) to determine whether there is a statistical difference between the means of two groups (Quinlan, et al., 2015, p.362; Kim 2015, p.540). A major consideration with the t-test is the risk level (alpha level) used to determine the level of significance providing a benchmark for an acceptable alpha level which, in most social research, is a Cronbach's alpha coefficient of 0.5 (Kim, 2015, p.540). There are two main types of t-tests, independent and paired t-test. For phase 2 of the research, the independent t-test is used to compare the means of two independent samples. It will be used to further identify the motives and determine whether there is a significant difference between the motives of state-owned enterprises and privately owned firms as discussed in Chapter 2 of this research.

- **ANOVA**

  Quinlan, et al. (2015, p.362) argue that while the ANOVA is similar to the T-test in that they are both used to test the differences in the means of variables, they differ due to the fact that while the T-test is used to determine whether there is a difference in the means of two groups, ANOVA can be used to determine whether there is a difference in the means of many groups at once. According to Quinlan, et al. (2015, p.362), there are two main types of ANOVA – one-way and two-way ANOVA. Phase 2 of this research uses one-way ANOVA which determines whether there is a difference in the means of many groups. This will be used to confirm the T-test on whether there are differences between the motives of Chinese state owned and privately owned firms.

- **Correlation test**

  A correlation test is used to determine the strength of the relationship between two variables (Collis and Hussey, 2014, p.270; Quinlan, et al., 2015, p.362) and it measures the degree to which a dependent variable can be predicted by an independent variable (Quinlan, et al., 2015, p.362). According to Collis and Hussey (2014, pp.273-275), there are two main types of correlation tests – Spearman's and Pearson's correlations. Both phase 1 and phase 2 of this research used a simple correlation which measures the linear relationship between two variables with the assumption that the data collected on the two variables measured on ratio, interval or ordinal scales is non-parametric. For phase 1 Spearman's correlation was used to provide a preliminary overview of the

relationship between the dependent variable (stock of Chinese FDI) and the independent variables (proposed macro-locational determinants of Chinese FDI). To ensure valid results, in phase 2 of this research the Spearman's correlation is used to verify whether the motives are not too closely related to each other. The Spearman's correlation was preferable over Pearson's correlation, given that the Spearman's correlation ranks variables from the highest to the lowest value, and is thus very useful if the data contains some outlier (Wilcox, 2016, p.215). The Pearson's correlation simply sums up variables and does not detect outlier (Wilcox, 2016, p.215). For the Spearman's correlation, the sign of the correlation, shows the direction of the relationship (positive or negative relationship) (Xiao, Ye, Esteves and Rong, 2016, p.3868). To indicate the strength of the relationship, a p-value less than 0.05 indicate a high correlation (Xiao, et al., 2016, p.3878).

- **Factor analysis**

  Factor analysis is used to investigate the relationship between pairs of variables when data is collected on a rating scales such as a 5-point Likert scale (Collis and Hussey, 2014, p.276). The analysis assists in identifying variables that are interrelated, given that each variable may be measuring different aspects of an underlying factor (Collis and Hussey, 2014, p. 276). Ultimately, the factor item scores represent the relative importance of the variables to each factor (Collis and Hussey, 2014, p.276). Factor analysis is also viewed as a data reduction technique, given that it analyses the relationship between large numbers of variables and explains the interrelationship between these variables and any underlying factors (Khula and Moroke, 2016, p.41). There are two identified types of factor analysis, Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA). Phase 2 of the research will use a CFA. A CFA is used to determine whether an underlying factor influences responses in a predicted way, and is usually based on theory (Melecky, 2013, p.1710). This is confirmatory in nature as the analysis determines whether a number of factors and the measured (indicators) variables of the factors, confirms the predictions from theories and models (Williams, 2012, p.3). Furthermore, a CFA is appropriate when the relationship between the measured indicators have been tested and their relationship with the factors are known (Bandalos and Finney, 2010, cited in Orçan, 2018, p.414). Thus, in phase 2 of this research a CFA is used to confirm the validity of the research questionnaire since the questionnaire was adapted from previous.

- **Logistic regression**

  A logistic regression enables researchers to conduct a multivariate regression between a binary dependent variable and several independent variables that might affect the probability of the anticipated situation or relationship (Süzen and Doyuran, 2004, p.671). The logistic regression technique transforms the dependent variable into logit variable ("the natural log of the odds of the dependent occurring or not") and applies maximum likelihood estimation and estimate the probability of occurrence or nonoccurrence (Süzen and Doyuran, 2004, p.671). Furthermore, a major strength of the logistic regression over other multivariate analysis is the fact that it is free of data distribution and that the predicted values can be interpreted as probabilities because they are constrained between 0 and 1 (Süzen and Doyuran, 2004, p.671; Bai, et al., 2010, p.23). A logistic regression analysis will be used in Phase 2 of this research. To achieve the third objective of the research and to test the third sets of hypotheses stated in Chapter one Section 1.2.3, a logistic regression will be carried out. The logistic regression technic will be used to investigate the relationship between the dependent variable (the legal identity of the firm, i.e. private- and state-owned) and the independent variables (the motives for investing; resource-, market-, efficiency- and strategic asset-seeking) as indicated in Chapter 1, Section 1.2.3. The logistic regression technique is appropriate to achieve the fore mentioned objective, given that the dependent variable are binary and the independent variables are quantitative and continuous or categorical (Süzen and Doyuran, 2004, p.671; Kleinbaum, 1991, cited in Bai, et al., 2010, p.23;).

The following section will provide a summary on the steps that will be followed for phase 1 and 2 analyses in this research.

5.7.3 Steps followed for phase one analysis

Phase 1 of this research used a multiple regression method by means of an OLS regression, using a statistical model from Buckley, et al. (2007) to identify the significant macro-locational determinants of Chinese FDI. Furthermore, given that the data collected from existing databases (shown in Table 5.5) for each variable were time series data, certain tests were conducted on the time series data to determine their suitability for the multiple regression. The

steps to ensure the suitability of the time series data and the multiple regression are explained below:

- Step 1: Simple correlation will be conducted to provide a preliminary overview of the relationship between the dependent variable and independent variable
- Step 2: Test for the non-stationarity/stationarity of the data and order of integration. The unit root test is used to verify the stationary state and order of integration of the time series data (Bailey and Giraitis, 2016, p.4). A series is said to be stationary if the mean and variance of the series are constant with changes in time (Salha, O'Neill and Rowan, 2013, p.648). Investigating stationary/non-stationary is imperative as non-stationary series may result in significant relationship between variables, which do not exist theoretically (Salha, O'Neill and Rowan, 2013, p.648). The Augmented Dickey-Fuller (ADF) and Kwiatkowski-Phillips-Schmidt-Shin (KPSS) tests are two popular tests (Shin and Schmidt, 1992, p.387; Paparoditis and Politis, 2018, p.955) used to verify the stationary state and order of integration of any time series data. For phase 1 of the research, both the Augmented Dickey-Fuller (ADF) unit root test and the Kwiatkowski-Phillips-Schmidt-Shin (KPSS) tests on EViews were used to verify the non-stationarity/stationarity of the individual time series data. Once the results from the unit roots will be obtained, the time series data were classified according to their order of integration.
- Step 3: Model specification/ regression estimation. The models for the research are specified to include the dependent variable (stock of Chinese FDI as a percentage of GDP) and selected independent variables (macro-locational determinants of FDI). These models are used to determine the relationship between the dependent and the independent variables. More specifically, the model was used to investigate the extent to which the identified independent variables (infrastructure, market size, human capital, political risk, trade openness, inflation, exchange rate, interest rate, natural resources and the Global Competitive Index (GCI) can predict the dependent variable (the stock of Chinese FDI as a percentage of GDP). The data collected on all the variables are converted to natural logarithm, given that theories and previous empirical research, expect a non-linear relationship between the variables.
- Step 4: An OLS regressions is conducted on the various models, to identify the significant macro-locational determinants of Chinese FDI in Cameroon.

- Step 5: Test for cointegration among the variables. The cointegration test determines whether there is a stable long run relationship between the variables in a regression (Enders and Siklos, 2001, p.175). With the presence of series that are individually non-stationary, it is important to test the regression results for cointegration. If there is cointegration then the regression results are not false. One of the most effective tests for cointegration is the Engle-Granger test (Enders and Siklos, 2001, p.175) used in phase 1 of this research. The Engle-Granger test for cointegration tests the residuals from the regression for a unit root. If the residuals are stationary, then there is evidence of cointegration, and the null hypothesis of a unit root is rejected (Enders and Siklos, 2001, p.175).
- Step 6: Estimation of the Error-Correction model. Once cointegration of the variables have been established, the residuals from the regression are used to estimate the error-correction model and analyse the effects of the variables. It is important to estimate an error correction model given that there may be short run disequilibrium between the variables, and an error correction model is used to investigate the speed at which the dependent variable adjust back to long run equilibrium after a change in the independent variables (Acquah and Dadzie, 2010, pp.102-103).

5.7.4 Steps followed for phase two analysis

- Step 1: Descriptive statistics pertaining to the background of the firms.
- Step 2: Use CFA to confirm validity of questionnaire.
- Step 3: Use Cronbach's alpha coefficient to confirm reliability of questionnaire.
- Step 4: Present the descriptive statistics pertaining to the motives of Chinese FDI in Cameroon.
- Step 5: Use Spearman's correlation to verify the relationship between motives, to ensure the motives are not too similar with each other, to avoid invalid results.
- Step 6: Use t-test and one-way ANOVA to determine whether there is a mean difference between the motives of state owned and private owned Chinese FDI in Cameroon.
- Step 7: Use logistic regression to determine whether the motives are dependent on whether the firm is state owned or private owned Chinese firm.
- Step 8: Use frequencies and tables to ascertain the importance of the selected economic macro-locational determinants of FDI for the motives of Chinese FDI in Cameroon.

- Step 9: Use descriptive statistics and tables to identify the challenges faced by Chinese FDI in Cameroon.

Having outlined the method of analysis for the research, the ethical consideration for the research is discussed below.

5.8 ETHICAL CONSIDERATIONS

Ethics is generally defined as the moral principles that govern the behaviours or individuals and organisations (Quinlan, et al., 2015, p.40). Business research ethics is concerned with carrying out research honestly, with integrity and ensuring safety at all times (Quinlan, et al., 2015). To ensure compliance with accepted ethical research methods, the researcher must identify the potential harms and risks of the research and develop strategies to mitigate and avoid such harm (Quinlan, et al., 2015, p.40). Ethical standards in research relates to the obtaining of permission and consent, ensuring anonymity, voluntary participation, non-payment for participation, being aware of the potential risk of the research and ensuring the non-disclosure of information (Creswell, 2014, Olivier, 2017, p.10).

The following steps were taken to ensure that ethical research standards were adhered to:

- Ethics approval was sought from the Rhodes University Ethics Standard Human Committee, to collect secondary data and to use questionnaires to collect data for phase 2 of this research.
- The researcher ensured that the questionnaire did not include any personal questions which may cause any embarrassment to the respondents. All the questions included in the questionnaire were relevant to the subject matter under investigation.
- The researcher drafted a covering letter which provided respondents with an explanation of the purpose and the objectives of the research. The letter also explained that a contact person in Cameroon would collect the data. In addition, prior to completing the questionnaire, the respondents were requested to complete and sign an informed consent form.
- To ensure anonymity, respondents will not be required to provide their names on the questionnaire or on the informed consent form. In addition, the covering letter assured respondents of their anonymity and their right to withdraw from the research at any

time. Furthermore, during the data analysis process no reference was made to a specific respondent.

- In addition, the data will be stored on a PC that is password protected and the researcher has exclusive access to the PC. Once data analysis is completed and the thesis finalised, the researcher will delete the data from the PC and provided the supervisor with the data for storage at Rhodes University for a period of at least five years. In addition, the data will be password protected.

5.9 CHAPTER SUMMARY

Chapter 5 discussed the research methodology and methods followed during this research study. A detailed discussion of the positivistic research paradigm was provided. To determine an appropriate research design for the research, the research methodology was linked to the research paradigm. An overview of the two phases used to gather data was provided in the methodology section. In phase 1, secondary data was collected from various data bases while in phase 2, primary data was collected by means of a questionnaire.

The chapter also discussed the sampling technique adopted in this study. In phase 1 a non-probability sampling technique was used, considering the unavailability of a sampling frame to enable the use of probability sampling. The sample size of the research was also determined for both phases. In the case of phase 1, the sample size included data for the period from 2003 to 2017 (14 years) while for phase 2 a sample of 100 Chinese FDI firms in Cameroon was selected. With regard to phase 1, even though a sample of 14 years was selected due to data unavailability, the sample size was considered sufficient for the econometric analysis. For phase 2, a sample size of 100 was selected to reduce the sample errors which may be inherent in small sample sizes.

The chapter also provided a discussion on the validity and reliability as quality criteria in quantitative research. An outline of how data for this research would be analysed was provided. It was explained that in phase 1 data would be analysed by means of multiple regression. For phase 2, a summary and explanation were provided of the types of descriptive (means, percentages and frequency) and inferential statistics (t-test, one-way ANOVA, correlation, and logistics regression) that would be used. The chapter concluded with a discussion on the ethical considerations of this research.

Chapter 6 will provide a discussion on the analysis and findings for both phases of this research.

CHAPTER 6:
EMPIRICAL RESULTS

6.1 INTRODUCTION

Chapter 5 provided a discussion on the research design and methodology used to ascertain the significance of the proposed macro-locational determinants of Chinese FDI in Cameroon, the identification of the motives of Chinese FDI in Cameroon and the challenges faced by Chinese FDI in Cameroon. As outlined in Chapter 5, the research consisted of two phases requiring the collection of data from two different data sources – primary and secondary data sources. Furthermore, it was explained that the two phases required different statistical tests to ensure the reliability and validity of the findings, and to analyse the data. These tests, the analysis of the data and the results will be presented in this chapter.

As in Chapter 5, this chapter consists of two phases. Phase one focuses on the empirical results for phase one of the research, and phase two focuses on the empirical results for phase two of the research.

6.2 PHASE TWO: EMPIRICAL RESULTS

The objective of this phase of the research is to ascertain the significance of the proposed macro-locational determinants of Chinese FDI in Cameroon. This phase commences with an explanation of the variables with graphs to provide a preliminary view of the relationship between the proposed macro-locational determinants of FDI variables and Chinese FDI. Thereafter, the steps utilised for the data analysis, as discussed in Chapter 5, are outlined and include: simple correlation, test for the non-stationarity/stationarity of the data and order of integration, regression estimation, test for co-integration, and estimating the Error-Correction Model (ECM).

As mentioned in Chapter 5, the time series data consists of a dependent variable (stock of Chinese FDI as a percentage of GDP) and a number of independent variables (proposed macro-locational determinants of FDI) and their proxies, see Table 6.1 below.

Table 6.1: Macro-locational determinants of FDI variables, variable names and proxy.

Variable	Variable name	Proxy/Variable description
Chinese FDI	FDI	Stock of Chinese FDI in Cameroon as a percentage of GDP.
Infrastructure	ELECTRICITY	Access to electricity as a percentage of total population.
Market size	REALGDP	GDP adjusted for the effects of price inflation.
Human capital	HDI	Human Development Index.
Natural resource	FUEL_EXPT	Fuel export as a percentage of merchandise exports.
Competitiveness of Cameroon	GCI	Cameroon's score on the Global Competitiveness Index (GCI).
Political risk	POL_RISK	Cameroon's rating for political stability and absence of violence.
Trade openness	TRADEOPEN	Ratio of imports and exports to GDP.
Inflation rate	INFLATION	Changes in consumer price index (CPI)
Exchange rate	REER	Cameroon's Real Effective Exchange Rate (REER).
Interest rate	DISCRATE	Discount rate, percent per annum.

(**Source:** Adapted from Buckley, et al., 2007; Wafure and Nurudeen, 2010, p.28; Eissa and Elgammal, 2014, p.10; Trinh and Nguyen, 2015, pp.56-57&61; Kisto, 2017, p.371).

6.2.1 Preliminary graphical picture of the relationship between the stock of Chinese FDI and proposed macro-locational determinants of FDI

The following section will provide a brief description of the variables and proxies illustrated with graphs to indicate how the variables change overtime will also provide a preliminary overview of the trends in the stock of Chinese FDI and the independent variables (proposed macro-locational determinants of Chinese FDI).

a) Stock of Chinese FDI: This represents the total value of Chinese direct investment at the end of each year in Cameroon. To provide an overview of how the level of Chinese direct investment in Cameroon changes, Figure 6.1 below shows the stock of Chinese FDI in Cameroon for the period 2003 to 2017.

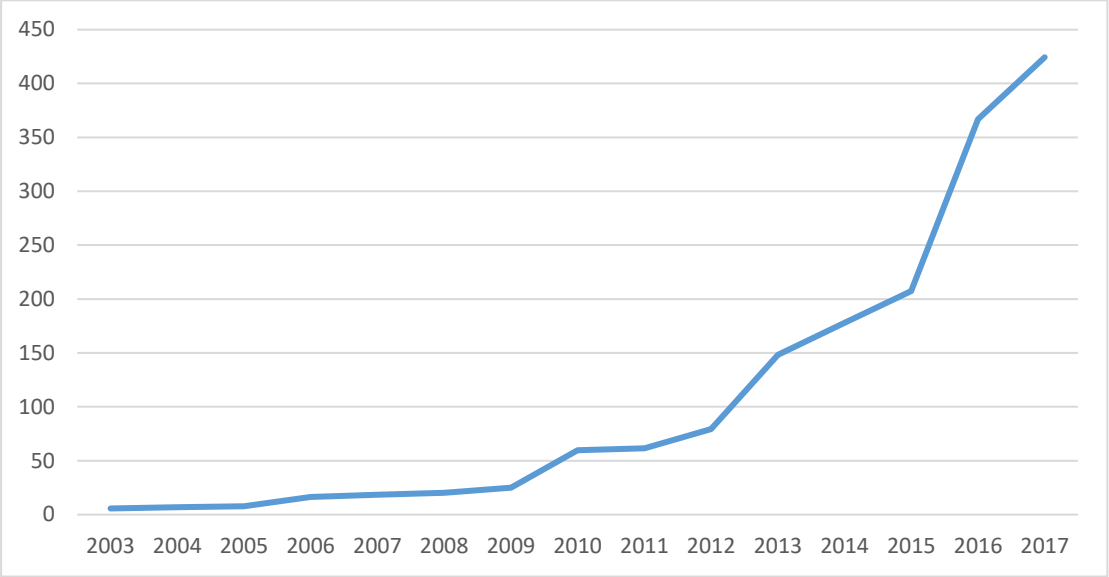

Figure 6.1: Stock of Chinese FDI in Cameroon (US$ millions) from 2003-2017 (**Source**: Researcher's own construction using annual data collected on the stock of Chinese FDI).

As illustrated in Figure 6.1 above, it is evident that the stock of Chinese FDI in Cameroon has increased steadily during the period 2003 to 2017. However, significant growth in the stock of Chinese FDI in Cameroon was evident from 2012.

b) Infrastructure: Trinh and Nguyen (2015, p.57) and Wafure and Nurudeen (2010, p.360) suggest that an indication of the level of infrastructure in a host country is the availability of roads, railways, ports, electricity and water supplies, and telecommunications systems. As discussed in Chapter 3, Section 3.2.1, an increase in the level of infrastructural development promotes productivity which, in turn, attracts FDI. Accordingly, a positive relationship is expected between infrastructure and Chinese FDI in Cameroon. For the purpose of this research, and as was used by Asiamah, Ofori and Afful (2019), access of the general population to electricity is used as an indication of infrastructure development, given that electricity is important to advance economic development and growth in a country.

Figure 6.2 shows the trends in access to electricity (percentage of total population) and the stock of Chinese FDI in Cameroon for the period 2003 to 2017.

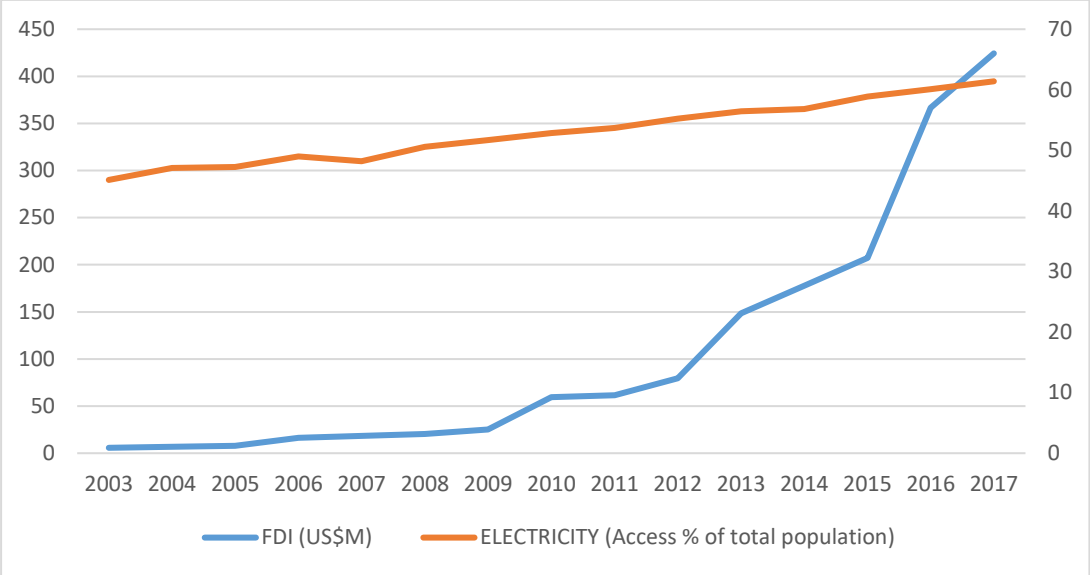

Figure 6.2: Access to electricity (percentage of total population) and stock of Chinese FDI in Cameroon (2003-2017) (**Source**: Researcher's own construction using annual data collected on access to electricity and the stock of Chinese FDI).

From the data presented in Figure 6.2 above, a systematic trend is not apparent between access to electricity and the stock of Chinese FDI in Cameroon. However, Figure 6.2 shows that the slight increase in the access to electricity by the population from 2014 was accompanied by an increase in the stock of Chinese FDI.

c) Market size: As discussed in Chapter 3, the size of the market is generally viewed as a major determinant of FDI (Trinh and Nguyen, 2015, p. 56; Rodríguez-Pose and Cols, 2017, p. 71). Thus, similar to the view of Rodríguez-Pose and Cols (2017, p. 71), a positive relationship is expected between Chinese FDI in Cameroon and market size. Furthermore, real GDP is considered a good proxy for market size (Demirhan and Masca, 2008, p.363) and is utilised in this research as it captures both market size and the potential for growth in market size. Figure 6.3 below shows trends in real GDP and the stock of Chinese FDI in Cameroon for the period 2003 to 2017.

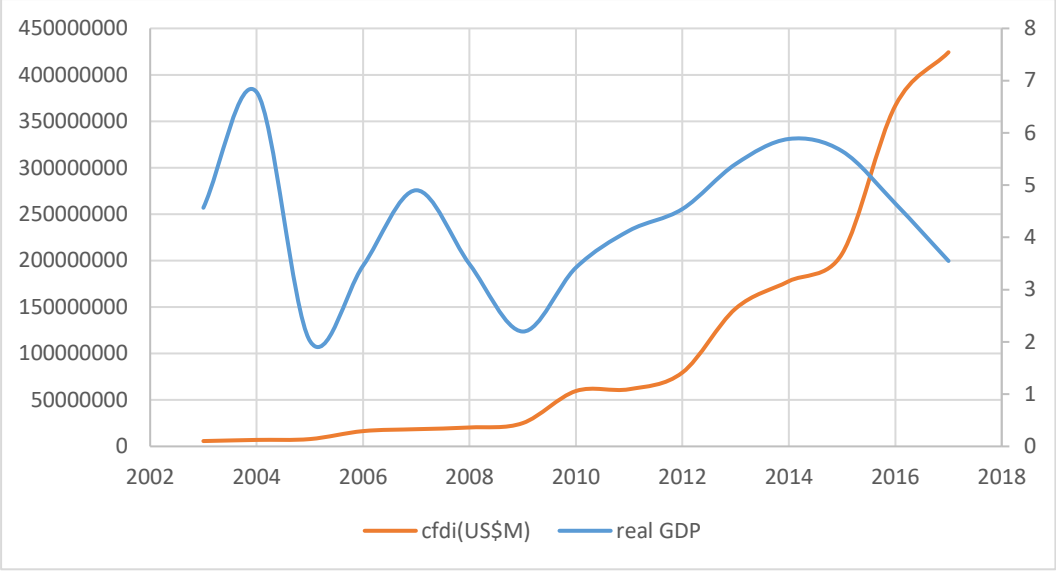

Figure 6.3: Trends in real GDP and the stock of Chinese FDI in Cameroon (2003 to 2017) (**Source**: Researcher's own construction using annual data collected on real GDP and stock of Chinese FDI in Cameroon).

As shown in Figure 6.3, it is difficult to establish a systematic trend between real GDP and the stock of Chinese FDI in Cameroon. However, increases in real GDP from 2009 to 2014 were accompanied by a simultaneous growth in the stock of Chinese FDI in Cameroon.

d) Human capital: In recent times, the quality or level of human capital is considered to be more important than the cost of human capital, given that a skilled workforce can learn and adapt to new technology faster and can, therefore, become more productive (Kisto, 2017, p.371). Therefore, a positive relationship is expected between Chinese FDI in Cameroon and human capital. For the purpose of this research, the Human Development Index (HDI), which is a measure of the capability to acquire knowledge by people in a country (United Nations Development Programme, 2019, p.31), is used as a proxy for human capital.

Figure 6.4 below shows the trends in HDI and the stock of Chinese FDI in Cameroon for the period 2003 to 2017.

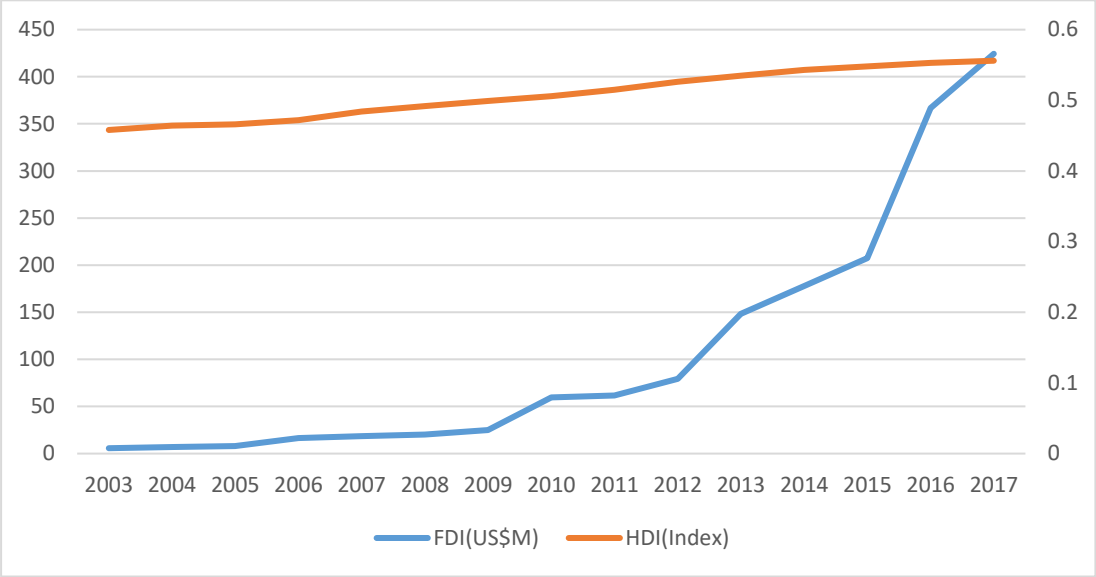

Figure 6.4: Trends in HDI and stock of Chinese FDI (2003-2017)
(**Source**: Researcher's own construction using annual data collected on HDI and stock of Chinese FDI).

As is the case with access to electricity, Figure 6.4 shows that the slight increase in HDI from 2012 was accompanied by an increase in the stock of Chinese FDI in Cameroon.

e) Natural resources: Considering that most African countries are rich in natural resources, mainly oil and other minerals, Rodríguez-Pose and Cols (2017, p.71) suggest that a proxy that includes either oil or minerals is an appropriate proxy for natural resources. This is particularly relevant for Cameroon considering that, as mentioned in Chapter 2, Section 2.6, the exploitation of oil was of historical importance for the Cameroonian economy in terms of the influence on the flow of FDI. Therefore, a positive relationship is expected between Chinese FDI and natural resources. In addition, fuel exports, as a percentage of merchandise exports for Cameroon, was used as a proxy for natural resources in Cameroon.

Figure 6.5 below shows trends in fuel exports and stock of Chinese FDI in Cameroon for the period 2003 to 2017.

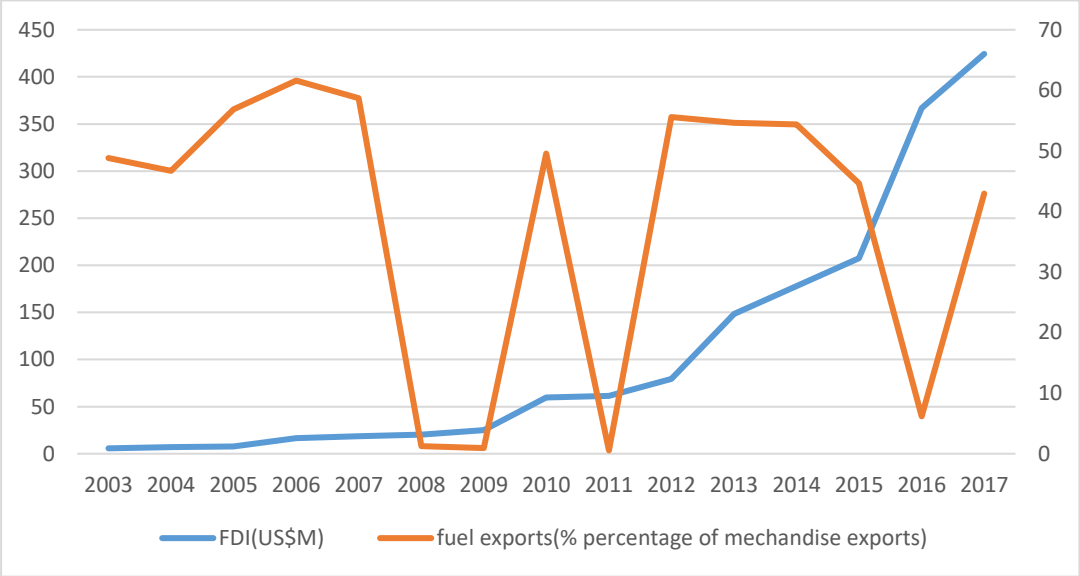

Figure 6.5: Trends in fuel exports as a percentage of merchandise exports and the stock of Chinese FDI (2003-2017)
(**Source**: Researcher's own construction using annual data collected on fuel exports and stock of Chinese FDI).

Figure 6.5 above illustrates the difficulty of establishing a systematic trend between fuel exports as a percentage of merchandise exports and the stock of Chinese FDI given the continuous growth in the stock of Chinese FDI, irrespective of a decline or increase in fuel exports.

f) Global Competitive Index: In line with the theory of competitive advantages discussed in Chapter 2, Section 2.8.12. A positive relationship is expected between the stock of Chinese FDI and GCI considering that GCI provides an indication of an increase in the competitiveness of a country which, based on the theory of competitive advantage, is expected to attract FDI.

Figure 6.6 below shows the trends in GCI and the stock of Chinese FDI in Cameroon for the period 2003 to 2017.

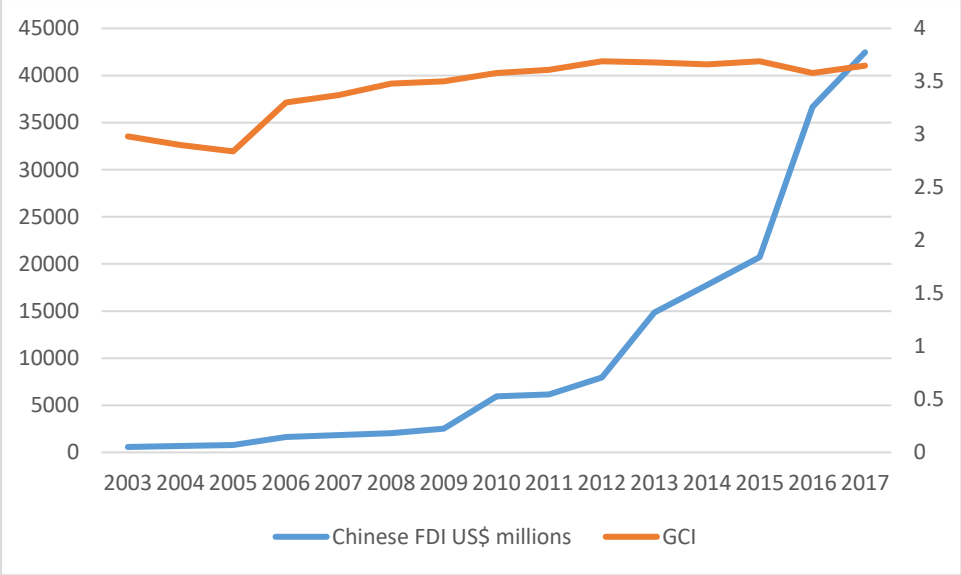

Figure 6.6: GCI and stock of Chinese FDI in Cameroon (2003-2017)
(**Source**: Researcher's own construction using annual data collected on GCI and stock of Chinese FDI).

In concurrence with the above discussion, a slight increase in the GCI from 2006 was accompanied by an increase in the stock of Chinese FDI in Cameroon from Figure 6.6 above.

g) Political risks: An assessment of political risk seeks to measure the likelihood that a government would be destabilised or overthrown by violent or unconstitutional means, or any potential for politically motivated violence and terrorism, or violent riots and politically motivated strikes (Kisto, 2017, p.371; Rodríguez-Pose and Cols, 2017, p.68;). Political instability and violence are considered to significantly reduce the likelihood of a country being selected as a location choice for FDI (Li, 2006, cited in Koko, Aminurraasyid and Tapiwa, 2017, p.175). Thus, for this research Cameroon's political risk index for political stability and absence of violence is used as a proxy for political risk. This index consists of four indicators – government stability, internal conflict, external conflict and ethnic tension. Thus, similar to the views of Kisto (2017), a negative relationship is expected between Chinese FDI and political risk.

Figure 6.7 below shows trends in political risk and stock of Chinese FDI in Cameroon for the period 2003 to 2017.

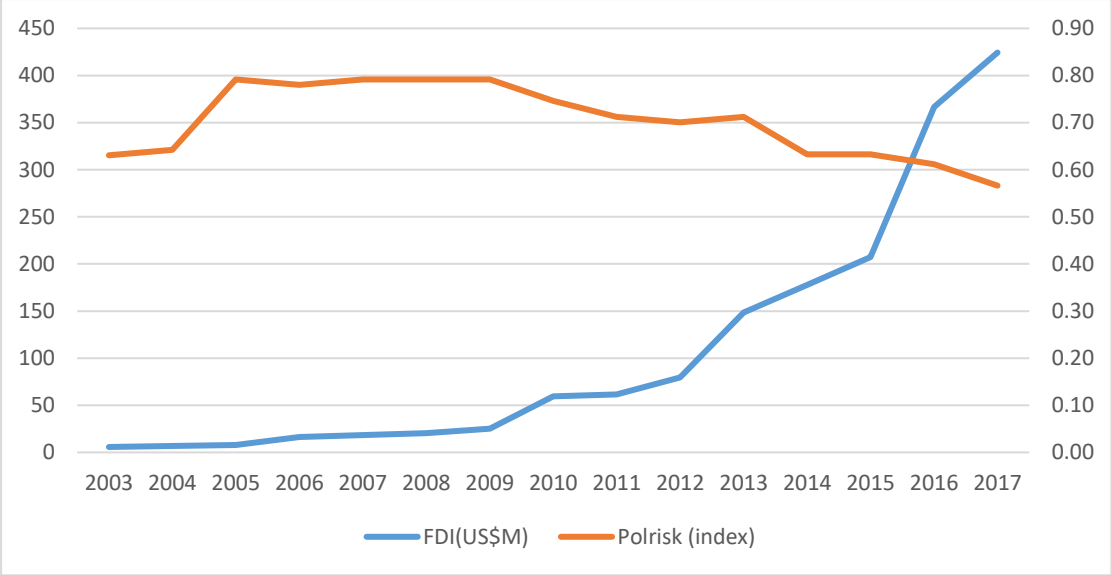

Figure 6.7: Trends in political risk and stock of Chinese FDI in Cameroon (2003-2017) (**Source**: Researcher's own construction using annual data collected on Political risk and stock of Chinese FDI).

Generally, political risk is expected to have a negative influence on FDI (Kisto 2017). However, in terms of Chinese FDI as discussed in Chapter 2, there has been argument that there is an apparent preference for Chinese FDI in countries with high political risk (Kolstad and Wiig, 2011, p.27; Yang, et al., 2018). Conversely, Figure 6.7 shows that the slight decline in political risk from 2009 to 2017 was accompanied by an increase in the stock of Chinese FDI.

h) Trade openness: As discussed in Chapter 3, trade openness measures the degree to which a country is open to investment and trade with other countries (Trinh and Nguyen, 2015, p. 57; Kumari and Sharma, 2017, p.669). As suggested by Tintin (2013), the ratio of imports and exports to GDP, is a good proxy for trade openness concurring with the views of Asieudu and Lien (2004) and Awolusi, Pelser and Adelekan (2016, p. 107). As discussed in Chapter 3, Section 3.2.5 the relationship between FDI and trade openness can be positive or negative depending on the type of FDI. Whereas a negative relationship is expected between trade openness and market- seeking FDI, a positive relationship is expected between trade openness and FDI for export-orientated FDI. Considering that most of the reviewed studies in Chapter 4, Table 4.1 indicated a prevalence of market-seeking as a predominant motive of Chinese FDI, it is expected that this research will show a negative relationship between trade openness and Chinese FDI in Cameroon.

Figure 6.8 shows the extent of trade openness trends and the stock of Chinese FDI in Cameroon for the period 2003 to 2017.

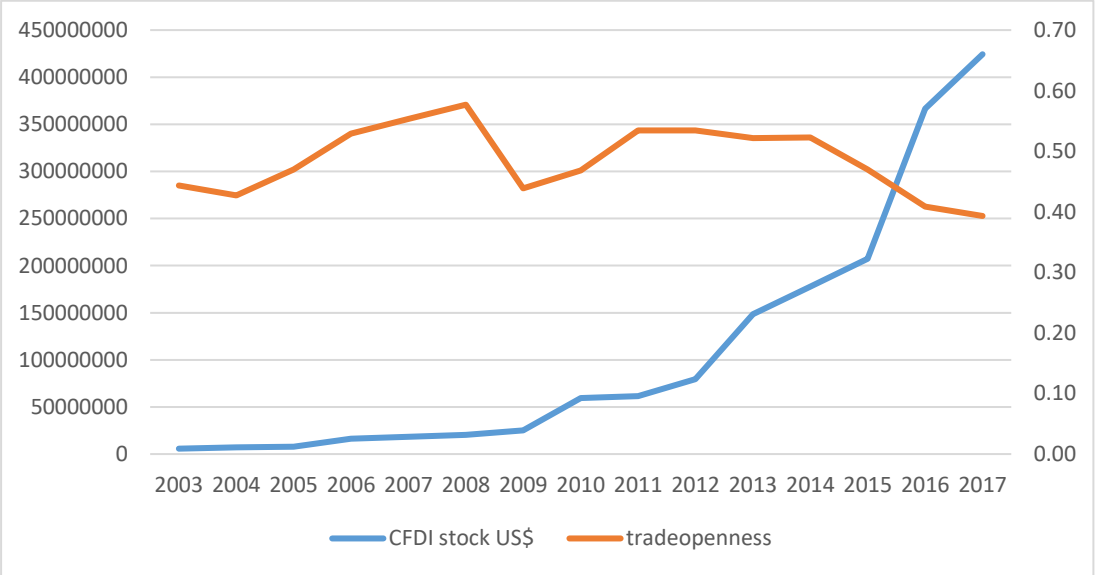

Figure 6.8: Trends in the degree of trade openness and the stock of Chinese FDI in Cameroon from 2003 to 2017.
(**Source**: Researcher's own construction using annual data collected on trade openness and stock of Chinese FDI).

Figure 6.8 shows that the stock of Chinese FDI in Cameroon increased steadily with an increase in the degree of trade openness in Cameroon. However, a decline in trade openness from 2013 was accompanied by an increase in the stock of Chinese FDI in Cameroon. As mentioned in Chapter 3, Section 3.2.5, an increase in FDI with a decline in the degree of trade openness may signify a presence of market-seeking FDI. This can be attributed to the prevailing trade barriers necessitating the establishment of subsidiaries in the host country to serve the local population.

i) Inflation rate: The inflation rate measures the overall increase in the price of goods and services and often provides an indication of economic stability and the ability of the host country's government to regulate money supply and implement budget controls (Buchanan, 2011 in Kumari and Sharma, 2017, p.669). Furthermore, as discussed in Chapter 3, Section 3.2.6, a high inflation rate may limit FDI flow, given that it may constitute additional cost for foreign firms in the host country by decreasing their purchasing power. Thus, similar to the views of a Rodríguez-Pose and Cols (2017, p.

71), a negative relationship is expected between inflation rates and Chinese FDI in Cameroon. A traditional proxy for inflation rate is the Consumer Price Index (CPI) (Kumari and Sharma, 2017, p.669). The CPI reflects the annual percentage change in the average cost to the consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, usually annually (Kumari and Sharma, 2017, p.671).

Figure 6.9 shows the trends in the inflation rate and the stock of Chinese FDI in Cameroon for the period 2003 to 2017.

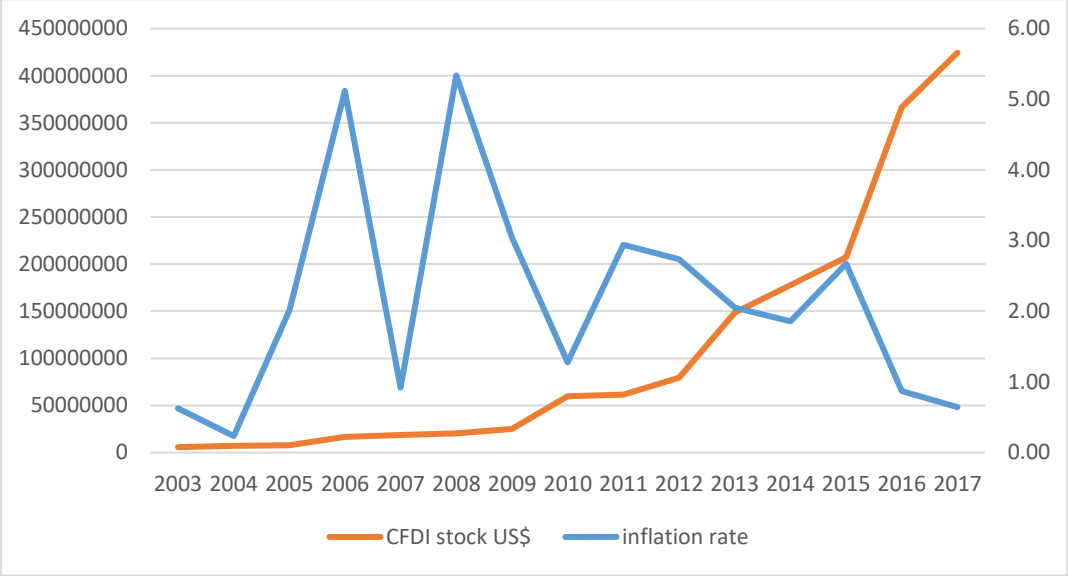

Figure 6.9: Trends in inflation rate and the stock of Chinese FDI in Cameroon (2003-2017) (**Source**: Researcher's own construction using annual data collected on inflation rates and stock of Chinese FDI).

From Figure 6.9 above it can be concluded that the stock of Chinese FDI in Cameroon rose from 2003 to 2013, regardless of the inflation rate. However, a decline in the inflation rate from 2014 to 2017 was accompanied by an increase in the stock of Chinese FDI in Cameroon.

j) Exchange rate: The exchange rate is considered an important determinant of FDI as a depreciation in a host country's currency leads to an increase in the purchasing power of the FDI and thus attracts more FDI inflow (Mukhtar, et al., 2014, p.30; Trinh and Nguyen, 2015, p.59). Based on Aliber's hypothesis and Froot and Stein's model as explained in Chapter 2, a depreciation in the exchange rate is expected to be accompanied by an increase in FDI flow. Thus, for this research, a negative relationship

is expected between Chinese FDI in Cameroon and the exchange rate. The exchange rate measures the value of one currency in terms of another currency (Kisto, 2017, p.371). For this research, the Real Effective Exchange Rate (REER) is used. This represents "a measure of the value of Cameroon's currency against a weighted average of several foreign currencies divided by a price deflator or index of costs" (International Monetary Fund, 2020) per specified period, usually quarterly.

Figure 6.10 below shows the trends in REER and the stock of Chinese FDI in Cameroon for the period 2003 to 2017.

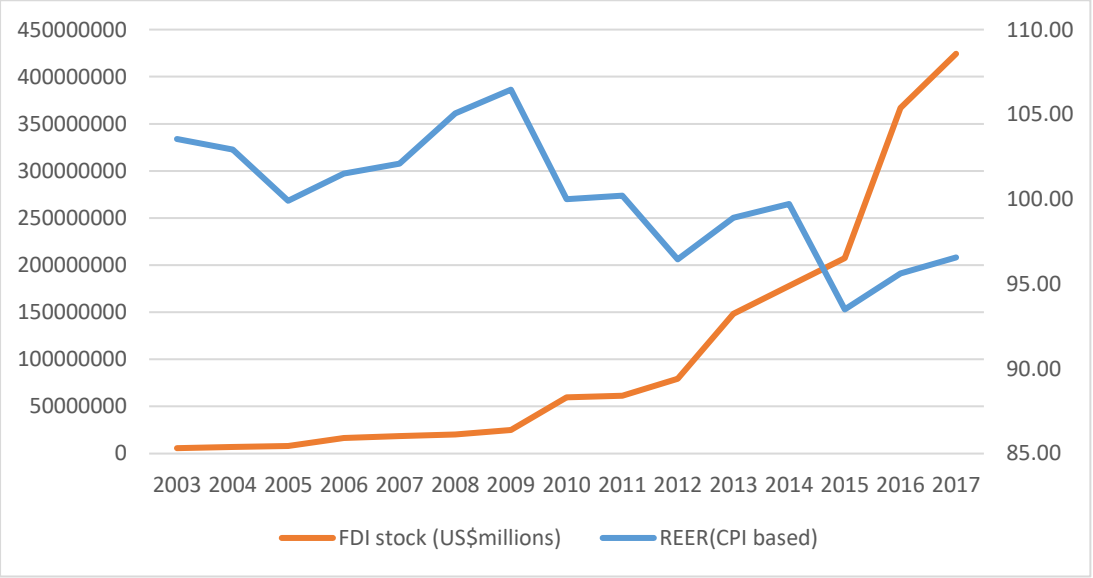

Figure 6.10: REER and stock of Chinese FDI in Cameroon (2003-2017)
(**Source**: Researcher's own construction using annual data collected on REER and stock of Chinese FDI).

From Figure 6.10, as expected from Aliber's hypothesis discussed in Chapter 2, Section 2.8.9, a decline in REER from 2009 was accompanied by an increase in the stock of Chinese FDI.

k) The interest rate: The discount rate is often used as a proxy for the interest rate, given that it measures the cost of capital for FDI which intends to utilise the financial capital available in a host country (Trinh and Nguyen, 2015, p.57). The discount rate is the interest rate charged by a federal bank to other commercial banks (International Monetary Fund, 2020), and usually an inverse relationship is expected between interest rates and FDI (Hasli, Ho and Ibrahim, 2015, p.1). Thus, for this research, a negative relationship is expected between Chinese FDI and interest rate.

Figure 6.11 illustrates trends in the discount rate and the stock of Chinese FDI in Cameroon for the period 2003 to 2017.

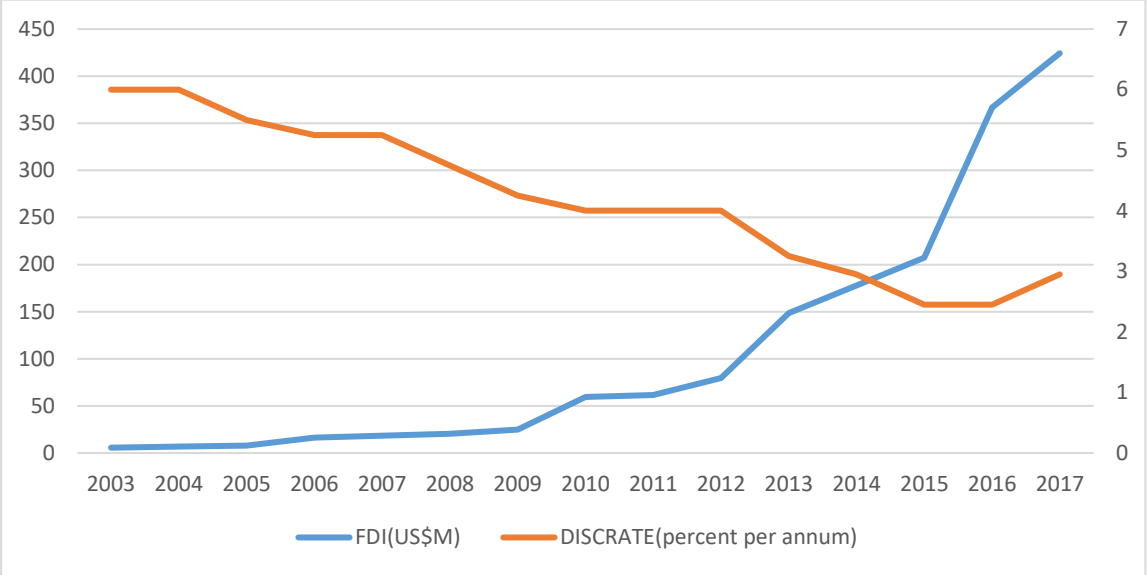

Figure 6.11: Trends in the discount rate and the stock of Chinese FDI in Cameroon (2003-2017) (**Source**: Researcher's own construction using annual data collected on discount rate and stock of Chinese FDI).

As was expected, the stock of Chinese FDI rose significantly with a marked decrease in the discount rate, especially between 2012 and 2017.

Having provided a preliminary graphical analysis of the trends in the macro-locational determinants of FDI variables, the next section will provide a preliminary picture of the relationship between the dependent variable (stock of Chinese FDI as a percentage of GDP) and the independent variables (proposed macro-locational determinants of FDI variables) for the regression analysis.

6.2.2 The relationship between the dependent and the independent variables using a simple correlation coefficient

In Chapter 5, it was noted that a simple correlation provides a preliminary picture of the relationship between the stock of Chinese FDI as a percentage of GDP and the independent variables. The results of the simple correlation are shown in Table 6.2 below.

Table 6.2: Simple correlation coefficients.

Variable name	FDI
FDI (stock of Chinese FDI as a percentage of GDP)	1.000
ELECTRICITY	0.892
REALGDP	0.932
HDI	0.854
FUEL_EXPT	-0.121
GCI	0.550
POL_RISK	-0.712
TRADEOPEN	-0.230
INFLATION	-0.175
REER	-0.691
DISCRATE	-0.841

(**Source**: Researcher's own estimations using EViews 10).

The correlations between FDI and other variables are largely in line with prior expectations from the theory and literature (discussed in Chapter 2, Section 2.8 and Chapter 3) that there is a positive correlation between FDI and ELECTRICITY (r=0.892), REALGDP (r=0.932), HDI (r=0.854) and GCI (r=0.550) respectively, and an inverse correlation between FDI and POL_RISK (r=-0.712), INFLATION (r=-0.175) and DISCRATE (r=-0.841). The relationships between FDI and REER (r=-0.691), and between FDI and TRADEOPEN (r=-0.230) are ambiguous a priori. In the case of FDI and REER, the correlation could be negative as a depreciating currency could reduce the cost of investing (see Aliber's hypothesis, Chapter 2, Section 2.8.9). Similarly, regarding FDI and TRADEOPEN, and considering the extent that FDI is a substitute for trade flows, the correlation between FDI and TRADEOPEN could be negative (See Chapter 3, Section 3.2.5, and Mijiyawa (2012, p.10)).

6.2.3 Tests for the non-stationarity/stationarity of the data

Prior to the regression analysis being done, as noted in Chapter 5, the non-stationarity/stationarity of the individual series was tested using both the Augmented Dickey-Fuller (ADF) unit root test and the Kwiatkowski–Phillips–Schmidt–Shin (KPSS) test on EViews 10. The null hypothesis for the ADF unit root test is that the series is non-stationary

while the null hypothesis in the case of the KPSS test is that the series is stationary. The KPSS test is a useful complement to the ADF test as the latter has relatively low power, and may fail to reject the null of a unit root too frequently (Gujarati and Porter, 2009, p.759). Furthermore, for data with structural breaks, the KPSS test is more robust. Some of the series were tested with trends and intercepts (FDI, ELECTRICITY, REALGDP, HDI, GCI, POL_RISK, REER and DISCRATE), while others were tested with an intercept only (FUEL_EXPT, TRADEOPEN and INFLATION). The results for the unit root tests are presented in Table 6.3 below.

Table 6.3: Classification of series according to order of integration.

Variable	ADF test	KPSS test
FDI	I(1)	I(0)
ELECTRICITY	I(2)	I(1)
REAL GDP	I(0)	I(1)
HDI	I(2)	I(0)
FUEL_EXPT	I(1)	I(0)
GCI	I(1)	I(1)
POL_RISK	I(1)	I(1)
TRADEOPEN	I(1)	I(0)
INFLATION	I(0)	I(0)
REER	I(1)	I(0)
DISCRATE	I(1)	I(1)

(Source: Researcher's own estimation using EViews 10).

The results in Table 6.3 above show that with the ADF test, REALGDP and INFLATION were stationary [I(0)], in level terms. FDI, FUEL_EXPT, GCI, POL_RISK, TRADEOPEN, REER and DISCRATE, were non-stationary [I(1)] at level terms but were stationary at first difference. ELECTRICITY and HDI were only stationary at second difference [I(2)]. However, with the KPSS, which is more robust, FDI, HDI, FUEL_EXPT, TRADEOPEN, INFLATION and REER were stationary [I(0)] in level terms and ELECTRICITY, REALGDP, GCI, POL_RISK and DISCRATE were stationary at first difference [I(1)]. Based on the KPSS test results, the OLS regression analysis, cointegration testing and estimation of the Error Correction Model (ECM) follow.

6.2.4 Model specifications, OLS regressions, test for cointegration and estimation of the ECM

- **Model 1 specification**

The base model was constructed using all the proposed macro-locational determinants of FDI that were identified in the theory and literature excluding electricity (denoting infrastructure) and fuel export (denoting natural resources). Given that the ordinary least square regression for the base model stipulated in Chapter 1, Section 1.2, as included in Appendix B, indicated that the variables electricity and fuel exports were not significant, and did not provide any major contribution to the models. These variables were thus excluded from the models 1 to 3, estimated below. Consequently $H^{1.1 \text{ and } 1.4}$ were not supported.

- **Model 1 specification**

$lnFDI_t = c + \beta_1\ lnDISCRATE_t + \beta_2\ lnGCI_t + \beta_3\ lnHDI_t + \beta_4\ lnINFLATION_t + \beta_5 lnPOL\_RISK_t + \beta_6 lnREALGDP_t + \beta_7 lnREER_t + \beta_8 lnTRADEOPEN_t + \varepsilon_t.$

Where c is a constant coefficient, ln the natural logarithm of the variables, β_1 to β_8 is the coefficients of the variables, ε the error term and $_t$ indicates a time series.

- **Model 2 specification**

$lnFDI_t = c + \beta_1 lnDISCRATE_t + \beta_2 lnHDI_t + \beta_3 lnINFLATION_t + \beta_4 lnPOL\_RISK_t + \beta_5 lnREALGDP_t + \beta_6 lnREER_t + \beta_7 lnTRADEOPEN_t + \varepsilon_t.$

Where the variables are described as in Model 1. As shown in Table 6.4, GCI was excluded in Model 2.

- **Model 3 specification**

$lnFDI_t = c + \beta_1\ lnDISCRATE_t + +\beta_2 lnINFLATION_t + \beta_3 lnPOL\_RISK_t + \beta_4 lnREALGDP_t + \beta_5 lnREER_t + \beta_6 lnTRADEOPEN_t + \varepsilon_t.$

Where the variables are described as in Model 1. As shown in Table 6.4, GCI and HDI were excluded in Model 2.

- **The empirical results of the OLS regressions for all three models are presented in Table 6.4 below:**

Table 6.4: Empirical results for Models 1, 2 and 3.

Dependent variable FDI	**Model 1 (Beta coefficients)**	**Model 2 (Beta coefficients)**	**Model 3 (Beta coefficients)**
c	0.034735***	0.035048***	-0.002966
REALGDP	1.46E-12*	1.47E-12*	8.21E-13*
HDI	-0.122070*	-0.122955*	Excluded
GCI	-0.0000517	Excluded	Excluded
POL_RISK	-0.004719**	-0.004762**	-0.005904**
TRADEOPEN	-0.017472**	-0.017551**	-0.042269*
INFLATION	-0.000173	-0.000173	-0.000163
REER	-0.0000468	-0.0000475	-0.000132**
DISCRATE	0.0000878	0.0000873	0.001075**
F-statistic	193.8709***	225.8994***	151.3963***
DW	0.426658	0.428620	0.520462

* $p < 0.01$, ** $p < 0.05$, *** $p < 0.1$
(Source: Author's own estimations using EViews 10).

The F-statistic for Model 1 in Table 6.4 implies the explanatory variables jointly explain the dependent variable at the 1% significance level. However, the Durbin-Watson (DW) statistic suggests that there is positive serial correlation or a weakness in the model specification. Furthermore, the unexpected negative signs of GCI and HDI in Model 1 and low t-values, as shown in Appendix B, indicate that multicollinearity may exist in Model 1 (Fulton, 2014, p.76). This means that GCI and HDI variables are similar to other variables in Model 1. Accordingly, GCI was excluded in Model 2 while GCI and HDI were excluded in Model 3.

The results in Table 6.4 above also increased market size (REALGDP) has a significant positive impact on FDI across all models at the 1% level of significance. Unexpected negative significant relationships between Chinese FDI and HDI are also found in Models 1 and 2 at the 1% level of significance. Increased political risk (POL_RISK) appears to have an adverse impact on FDI at the 5% level of significance across all models. Lower trade openness (TRADEOPEN) appears to stimulate FDI across all models, at the 5% level in Models 1 and 2, and at the 1% level in Model 3 holding all else constant. The results also suggest that inflation does not have a significant impact on FDI in this research across Model 1, 2 and 3. A

depreciation of the real effective exchange rate (REER) also has a negative relationship with FDI across all models but is significant at the 5% level in Model 3. In addition, the discount rate (DISCRATE) does not have a significant effect on FDI in Models 1 and 2 (except in the case of Model 3 at the 5% level), but the positive sign of the estimated coefficient is unexpected.

In summarising the findings of the relationship between Chinese FDI and the macro-locational determinants in Cameroon, as per Table 6.4, the following is evident for the hypothesis testing:

- $\mathbf{H^{1.2}}$; $\mathbf{H^{1.6}}$; $\mathbf{H^{1.7}}$; and $\mathbf{H^{1.9}}$ are supported
- $\mathbf{H^{1.3}}$; $\mathbf{H^{1.4}}$; $\mathbf{H^{1.5}}$; $\mathbf{H^{1.8}}$ and $\mathbf{H^{1.10}}$ are not supported

Models 2 and 3 provide a better fit as they eliminate GCI which did not contribute to the explanatory power of the regression. Model 3 excludes HDI since the coefficient had an unexpected negative sign. However, because the coefficient was significant, Model 2 including HDI is also reported. To avoid spurious results, Models 2 and 3 were tested for cointegration using the Engle-Granger test to determine whether a long run relationship exists among the variables.

The results of the cointegration tests indicate that cointegration exists in Models 2 and 3. This implies that an Error Correction Model (ECM) is appropriate in order to investigate the short run relationship between the variables. The results of the cointegration tests for Models 2 and 3 are presented in Appendix C.

The main reason for estimating an ECM, as explained in Chapter 5, Section 5.7.3, was because there may sometimes be a short run disequilibrium between the variables, even though a long run relationship between the variables may exist. The ECM is therefore used to investigate the speed at which the dependent variables revert to long run equilibrium after a change in the independent variables. For Model 2, the ECM indicated that the speed of adjustment coefficient in absolute terms is 0.2058 and is significant at the 5% level. This suggests that about 20.6% of the adjustment back to long run equilibrium takes place each quarter. For Model 3, the ECM indicated that the speed of adjustment coefficient in absolute terms is 0.1228 and is significant at the 5% level. This suggests that about 12.3% of the adjustment back to long run equilibrium

takes place each quarter. The results of the ECM for Models 2 and 3 are presented in Appendix D.

6.3 PHASE TWO: EMPIRICAL RESULTS

To analyse the data and present the results for the objectives listed above, this phase consists of various sections and follows the steps for the analysis for phase 2 outlined in Chapter 5. As mentioned in Chapter 5, this phase begins with descriptive statistics pertaining to the background information of the firms. This is followed by the results of the validity and reliability of the research instrument and the descriptive statistics and summary on the motives of Chinese FDI in Cameroon. Thereafter, results are provided pertaining to the inferential statistical analyses including Spearman's rank correlation coefficient, t-test, one-way ANOVA, and the logistic regression analysis.

6.3.1 Descriptive statistics pertaining to the background information of the firms

Descriptive statistics pertaining to the identity of the firm, sector of the firm and year of establishment are summarised in Tables 6.5 to 6.9 in this section.

Table 6.5 shows that the majority of respondents were privately owned Chinese firms, 90% (n=90), and state-owned firms consisted of 10% (n=10) of respondents.

Table 6.5: Descriptive statistics pertaining to the legal identity of the firm.

Type of firm	Frequency (n)	Percentage (%)
State-owned firms	10	10
Privately owned firms	90	90
Total	100	100

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.6 shows that the majority of respondents were firms operating in the retail sector, 29% (n=29), closely followed by firms operating in the wholesale sector, 20% (n=20), followed by firms operating in the fishing sector, 12% (n=12). Other respondents included firms in the construction sector which made up 8% (n=8) of the total respondents, the mining sector with 6% (n=6) and forestry at 5% (n=5). Firms in the hotel and restaurant sector and agricultural sectors each comprised 4% (n=4) of the respondents. Firms operating in the health, and renting

and real estate sectors each comprised 3% (n=3) of the respondents. Firms in the communication, electrical and water supply, energy, information technology and logistics each made up 1% (n=1) of the total number of respondents.

Table 6.6: Descriptive statistics pertaining to the sector of the firms.

Type of sector	Frequency (n)	Percentage (%)
Agriculture	4	4.00
Communication	1	1.00
Construction	8	8.00
Electricity supply	1	1.00
Energy	1	1.00
Fishing	12	12.00
Forestry	5	5.00
Health	3	3.00
Hotel and restaurant	4	4.00
Information technology	1	1.00
Logistics	1	1.00
Mining	6	6.00
Real estate and renting	3	3.00
Retail trade	29	29.00
Water supply	1	1.00
Wholesale	20	20.00
Total	100	100.00

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.7 provides a summary of the type of firms and the sectors in which the firms operate.

Table 6.7: Descriptive statistics pertaining to sectors of state-owned and privately owned firms.

Sectors	State-owned firms	Privately owned firms
Agriculture	3	1
Communication	0	1
Construction	4	4
Electricity supply	0	1
Energy	1	0
Fishing	0	12
Forestry	0	5
Health	0	3
Hotel and restaurant	0	4
Information technology	0	1
Logistics	0	1
Mining	1	5
Real estate and renting	0	3
Retail trade	0	29
Water supply	1	0
Wholesale	0	20
Total	10	90

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.7 above shows that state-owned firms operate mainly in the agricultural (n=3) and construction (n=4) and sectors in Cameroon. Privately owned firms operate mainly in the retail (n=29), wholesale (n=20) and fishing (n=12), with an additional minimal presence in other sectors, except for energy and water supply.

Table 6.8 shows that most of the respondents, 52% (n=52), established businesses in Cameroon during the period 2001 to 2012. This may also be attributed to the China "go global" policy implemented in 2002 and China's engagement with most African countries in 2006 (Brautigam, 2009, p.1; Kolstad and Wiig, 2011, p.27). The second highest number of respondents established businesses in Cameroon during the period 2012 to 2017 – 25% (n=25).

Other businesses were established in Cameroon during the earlier period of 1990 to 2001 – 23% (n=23).

Table 6.8: Descriptive statistics pertaining to the year of establishment of the firms in Cameroon.

Year of establishment	Frequency (n)	Percentage (%)	Cumulative frequency
1990-2001 period	23	23.00	23.00
2001-2012 period	52	52.00	75.00
2012-2017 period	25	25.00	100.00

(**Source**: Researcher's own estimation using Stata 14.2).

A further analysis of the data relating to state-owned and privately owned firms is provided in Table 6.9 with descriptive statistics of the year of establishment for state-owned and privately owned firms.

Table 6.9: Descriptive statistics pertaining to year of establishment for state-owned and privately owned firms.

Period of establishment	State-owned (n)	State-owned (%)	Privately owned (n)	Privately owned (%)	Total no. of firms
1990-2001	1	10.0	22	24.40	23
2001-2012	4	40.00	48	53.30	52
2012-2017	5	50.00	20	22.30	25
Total	10	100.00	90	100.00	100

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.9 above shows that the majority of state-owned firms, 50% (n=5), were established in Cameroon during the period 2012 to 2017, while 40% (n=4) were established during the period 2001 to 2012 and 10% (n=1) were established during the period 1990 to 2001. With regard to privately owned firms, the majority, 53.3% (n=48), were established in Cameroon during the period 2001 to 2012, while 24.4% (n=22) were established during the period 1990 to 2001 and 22.3% (n=20) were established during the period 2012 to 2017. Overall most (n=52) of the Chinese firms were established during the period 2001-2012.

6.3.2 Validity and reliability results of the research instrument

As mentioned in the previous chapter, the validity of the research instrument which is confirmed by means of the CFA, is concerned with the extent to which the measuring instrument measures what it was intended to measure and the extent to which what it aims to measure is meaningful (Hafiz and Shaari, 2013, p.082). The CFA was carried out by means of structural equation modelling to assess the validity based on the factor loadings and the model data fit (Suhr, 2006, p.1; Orçan, 2018, p.417). The factor loading indicates how well the items of the variables are linked to the underlying factor (Byrne, 1998, p.6). As discussed in Chapter 5, Section 5.6.1, the minimum acceptable factor loading for the research is 0.3. The model data fit is evaluated based on four indicators including, the chi-square test, Comparative Fit Index (CFI), Tucker Lewis Index (TLI), Root Mean Square Error of Approximation (RMSEA) and standardised root mean squared residual (SRMR) values (Orçan, 2018, p.417), which are briefly discussed below. These results are shown in Table 6.11, below.

The chi-square test differentiates between expected and observed covariance matrices. Thus, a chi-square value close to zero indicates little difference between the expected and covariance matrices (Suhr, 2006, p.1). Therefore, a probability value of greater than 0.05 for the chi-square test shows a good model data fit (Orçan, 2018, p.417; Suhr, 2006, p.1).

The CFI and TLI is the discrepancy function that takes into consideration the sample size. The CFI generally ranges from 0 to 1 and a value closer to 1 indicates a good model fit and is preferable. However, a cut-off value is usually close to 0.95 (Hu and Bentler, 1999, p.1).

The RMSEA indicates how well a model fits the observed data (Hu and Bentler, 1999, p.1). Thus, the RMSEA measures the degree of misfit in a model (Chen et al., 2008, p.463). A general cut-off for the RMSEA is a value close to 0.06 or less (Hu and Bentler, 1999, p.1).

The SRMR is the square root of the difference between the residuals of the sample covariance matrix and the hypothesised covariance mode. The SRMR resolves measurement and interpretation issues with questionnaires with different scale measurements (Hooper, Coughlan and Mullen, 2008, p.55). A value close to 0.08 is a general cut-off value for the SRMR (Hu and Bentley, 1999, p.1).

Reliability, as previously mentioned in Chapter 5, Section 5.6.2, is concerned with whether the instrument of data collection is able to provide consistent results in different contexts (Mugenda and Mugenda, 2010, p.46; Quinlan et al., 2015, p.274). Furthermore, as was mentioned in Chapter 5, the reliability of the research instrument is established by means of the Cronbach's alpha coefficient with a cut-off of 0.60 and 0.70, which is within the generally acceptable limit. The results for the CFA and reliability are presented in Table 6.10 below.

Table 6.10: Validity and reliability for the motives of FDI variables

Items	**Item statements for resource-seeking**	**Factor loading**	**Cronbach's alpha overall: 0.64**
Sec2q8	To obtain access to raw materials not readily available in China	0.53	0.54
Sec2q9	To be closer to your Cameroonian suppliers	0.44	0.62
Sec2q1	Availability of low-cost labour in Cameroon	0.35	0.66
Sec2q15	To support export activities in Cameroon	0.97	0.39
Items	**Item statements for market-seeking**	**Factor loading**	**Cronbach's alpha overall: 0.84**
Sec 2q4	Proximity of Cameroon to large, third markets for exports	0.49	0.83
Sec2q5	Ease of exporting to the neighbouring countries from Cameroon's location	0.67	0.80
Sec2q6	Cameroon provides a good base for further investment in West and Central Africa	0.25	
Sec2q7	To develop new markets outside of China through direct investment	0.80	0.80

Sec2q10	To collect information and gain knowledge about African markets	0.64	0.82
Sec2q11	To be closer to your important customers in Cameroon	0.82	0.79
Sec2q14	To defend existing market share in the Cameroon market by investing locally	0.70	0.81
Sec2q17	To use local-specific creative assets (e.g. local market knowledge, original technology)	0.40	0.84
Items	**Item statements for efficiency-seeking**	**Factor loading**	**Cronbach's alpha overall: 0.03**
Sec2q3	Availability of low-cost land, compared to other countries		
Sec2q13	To benefit from lower production costs in Cameroon compared to China		
Items	**Item statements for strategic asset-seeking**	**Factor loading**	**Cronbach's alpha overall: 0.87**
Sec2q2	Availability of technical and skilled workforce	0.80	0.83
Sec2q12	To gain better access to new management know-how and ideas	0.63	0.87
Sec2q16	To improve the technological ability of the firm	0.77	0.85
Sec2q18	To access particular national research expertise available in Cameroon	0.78	0.85
Sec2q19	To access particular national technological expertise available in Cameroon	0.87	0.83
Sec2q20	To purchase a known Cameroonian brand	0.03	

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.10 shows that the factor loadings for the resource-seeking items were all above the minimum loading of 0.3. All the items for market-seeking were above 0.3, except for item Sec2q6 with a factor loading of 0.25 which was therefore excluded from further analysis. Regarding strategic asset-seeking, all the items had relatively high loadings except for Sec2q20 with a very low loading of 0.03, which was also excluded from any further analysis. The low factor loadings for some of the items may be as a result of the sample size, which might have been inadequate, as highlighted by Schreiber, et al. (2006, p.334) who recommend a larger sample size to improve the factor loadings. However, the main challenge on studies pertaining to China, as noted by Dollar (2016, p.89), is the issue of recruiting participants and access to information, which was found to be the case for this research.

With regard to efficiency-seeking, it was difficult to establish the factor loading, given that the CFA did not run as efficiency-seeking only included two items. Therefore, the validity of efficiency-seeking items could not be established and were excluded from any further analysis. Only two items were deemed relevant for efficiency-seeking, given that in Chapter 4, Section 4.2.3 and in Chapter 3, Figure 3.1, it is indicated that the main aim of efficiency-seeking is to reduce the cost of production. Taking into consideration the aforementioned statement, the two items pertaining to Efficiency-seeking (See Table 6.10) were only focused on the cost factor of production excluding low cost of labour, which could not be included to avoid invalid results. Given that as indicated in Figure 3.1 in Chapter 3 low cost of labour was also important for resource-seeking.

Regarding reliability, Table 6.10 shows that the five items related to resource-seeking scales showed a relatively moderate internal consistency with a Cronbach alpha coefficient of 0.64. The eight items related to market-seeking scales and the six items related to strategic asset-seeking scales show a relatively high internal consistency with Cronbach alpha coefficients of 0.84 and 0.87, respectively. Thus, the overall Cronbach alpha coefficients for the items resource- market- and strategic asset-seeking were all above the required minimum of 0.60.

Regarding the model fit data, the results are provided in Table 6.11 below.

Table 6.11: Model fit data results for the motives of FDI variables

Model fit data measures	Values
Chi-square (X^2)	0.000
RMSEA	0.156
SRMR	0.198
CFI	0.626
TLI	0.576

(**Source**: Researcher's own estimation using Stata 14.2).

Subject to the cut-offs for evaluating the model fit data discussed above, Table 6.11 indicates that the chi-square value (0.000) is below the cut-off (>0.05) and indicates a poor fit. The values for RMSEA (0.156) and the SRMR (0.198) are above the cut-offs (0.06 or less) and (close to 0.08) respectively, indicating a misfit. Conversely, the values for the CFI (0.626) and TLI (0.576) are also below the cut-off of close to 0.95. Thus, the model is generally mediocre and not a good fit for the data further confirming that the sample size may have affected the normality of the data, as previously mentioned. The following section will make use of descriptive statistics to summarise the data pertaining to the motives of Chinese state- and privately owned FDI in Cameroon.

6.3.3 Descriptive statistics pertaining to the motives of investing in Cameroon

To provide a summary of the descriptive statistics on the motives for Chinese FDI, Table 6.12 shows the mean scores for the motives of FDI by state- and privately owned Chinese FDI.

Table 6.12: Mean scores pertaining to the motives for Chinese FDI by state-owned owned Chinese firms.

Variable	Number of firms	Mean	Std. Dev.
Resource-seeking	10	2.35	1.07
Market-seeking	10	2.15	0.64
Strategic asset-seeking	10	2.82	0.813

(**Source**: Researcher's own estimation using Stata 14.2).

As shown in Table 6.12, the mean score of 2.82 for strategic asset-seeking indicates that strategic asset-seeking was the most important motive for state-owned Chinese firms to invest

in Cameroon. This was closely followed by resource- and market-seeking motives with mean scores of 2.35 and 2.15, respectively.

Table 6.13 below shows a mean score of 3.56 for market-seeking indicating that most privately owned Chinese firms agreed that market-seeking was the most important motive for investing in Cameroon. This motive was closely followed by resource- and strategic asset-seeking with mean scores of 2.22 and 1.72, respectively.

Table 6.13: Mean score pertaining to the motives for Chinese FDI by privately owned Chinese firms.

Variable	Number of firms	Mean	Std. Dev.
Resource-seeking	90	2.22	0.93
Market-seeking	90	3.56	0.92
Strategic asset- seeking	90	1.72	0.74

(**Source**: Researcher's own estimation using Stata 14.2).

6.3.4 Spearman's correlation test results

As mentioned in the previous chapter, the Spearman's correlation is used to identify multicollinearity between variables. In order to avoid invalid results, the Spearman's correlation assists to determine whether the motive variables are not too similar. Therefore, the lower the correlation between the motive variables, the more valid the results from the findings. As indicated in Chapter 5, Section 5.7.2, the use of Spearman's correlation was preferred given that it is more robust than the Pearson's correlation. Furthermore, Xiao, et al. (2016, p.3876) explain that a correlation is indicated by an absolute value greater than 0.80 and a p-value less than 0.05. The p-value refers to the level of significance for any hypothesis test (Xiao, et al., 2016, p.3868). Schober, Boer and Schwarte (2018, p.1765) provide an example of how to interpret correlation coefficients, as illustrated in Table 6.14 below.

Table 6.14: An example of a conventional approach to interpreting a correlation coefficient.

Absolute magnitude of the observed correlation coefficient (r value)	Interpretations
0.00-1.0	Negligible correlation
0.10-0.39	Weak correlation
0.40-0.69	Moderate correlation
0.70-0.89	Strong correlation
0.90-1.00	Very strong correlation

(**Source:** Schober, Boer and Schwarte, 2018, p.1765).

The results of the Spearman's correlation for the motive variables are shown in Table 6.15 below.

Table 6.15: Results of the Spearman's correlation for the motive variables.

	Resource-seeking	Market-seeking	Strategic asset-seeking
Resource-seeking	1.0000		
Market-seeking	-0.0799 0.4294	1.0000	
Strategic asset-seeking	0.2816* 0.0045	-0.4556* 0.0000	1.0000

*p<0.05
(**Source**: Researcher's own estimation using Stata 14.2).

Subject to the interpretation of the correlation coefficients shown in Table 6.15 above, the following can be deduced from the Spearman's correlation results:

- The variables for the factor resource-seeking and the variables for the factor market-seeking reported no significant relationship, with a negative high correlation of (r=-0.0799; p=0.4294).
- The variables for the factor resource-seeking with the variables for the factor strategic asset-seeking reported a significant relationship, with a weak positive correlation of (r=0.2816; p=0.0045).

- The variables for the factor market-seeking with the variables for the factor strategic asset-seeking reported a significant relationship, with a negative moderate correlation of (r=-0.4556; p=0.000).

6.3.5 T-test analysis results

As explained in Chapter 5, the t-test is used to determine whether there is a mean difference between the motives of state-owned and privately owned Chinese FDI in Cameroon. The level of significance is indicated by (p) with a (p) value of less than 0.05 being considered statistically significant (De Winter, 2013, p.3). The t-value represents the width of the confidence interval at a given sample size and significance level and relates to the probability that the confidence interval includes the true mean (Limentani, Ringo, Bergquist and Mcsorley, 2005, p.222). The results for the t-tests are shown in Table 6.16 below.

Table 6.16: Results of two sample t-test with equal variances.

Variables	t-value	Mean	Sig. (p)
Resource-seeking	0.3859		0.7004
Privately owned		2.22	
State-owned		2.35	
Market-seeking	-4.6710		0.0000
Privately owned		3.56	
State-owned		2.15	
Strategic asset-seeking	4.3919		0.0000
Privately owned		1.72	
State-owned		2.82	

(**Source**: Researcher's own estimation using Stata 14.2).

The results of the t-tests shown in Table 6.16 above indicate that:

- With regard to resource seeking, the results are not statistically significant given the significance level (p=0.7004) which is above 0.05. This research does not support $H^{2.1}$ meaning there is no mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in resource-seeking. However, the mean scores reveal that state-owned firms are more likely to be interested in resource-seeking with a mean score of 2.35 compared to 2.22 for privately owned firms.
- With regard to market-seeking, the results are statistically significant given the significance level (p=0.000) which is below 0.05. This research supports $H^{2.2}$ meaning

there is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in market-seeking. Furthermore, with reference to the means, privately owned firms are more interested in market-seeking than state-owned firms are, with a high mean score of 3.56, compared to 2.15 score for state-owned firms.

- With regard to strategic asset-seeking, the results are statistically significant given that the significance level (p=0.000) which is below 0.05. This research supports $H^{2.4}$ meaning there is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in strategic asset-seeking. Further details of the score reveal that state-owned firms are more interested in strategic assets reflected by a mean score of 2.82 compared to private firms with a score of 1.72.

6.3.6 One-way ANOVA test results

As explained in Chapter 5, the one-way ANOVA test is conducted to determine whether there is a mean difference between the motives of state-owned and privately owned Chinese FDI in Cameroon. These results are shown in Table 6.17.

Table 6.17: Results of one-way-ANOVA.

Variable		F-value	Sig. (p)
Resource-seeking		0.15	0.7004
Market-seeking		21.82	0.0000
Strategic asset -seeking		19.29	0.0000

(**Source**: Researcher's own estimation using Stata 14.2).

The results of the one-way ANOVA shown in Table 6.17 above indicate that:

- Resource-seeking is not significant, given that the significance level of p=0.7004 which is above 0.05, indicating that there is no mean difference between privately owned and state-owned firms in terms of resource-seeking. This result confirms that $H^{2.1}$ is not supported.
- Market-seeking was found to be significant, with a significance level of p=0.0000 which is below 0.05. There is, thus, a mean difference between privately owned and state-owned firms in terms of market-seeking. This result confirms that $H^{2.2}$ is supported.

- Strategic asset-seeking is significant with p=0.0000 which is below 0.05. This indicates there is a difference between privately owned and state-owned firms in terms of strategic asset-seeking. This result confirms that $H^{2.4}$ is supported.

The results for both the t-test and the one-way ANOVA are consistent thus providing further validation for the results obtained.

6.3.7 Logistic regression results

As mentioned in Chapter 5, Section 5.7.2, to achieve the third objective of the research and to test the second set of hypotheses stated in Chapter 1, Section 1.2.2, a logistic regression is conducted. The logistic regression is appropriate given that the dependent variable (the legal identity of the firm, i.e. privately owned or state-owned) is binary and the independent variables (the motives for investing – resource-, market-, and strategic asset-seeking) are measured on a continuous scale).

With the logistic regression technique, the following are used to interpret the results of the analysis for this research:

- The logit coefficients which are the values for predicting the dependent variable from the independent variables (Süzen and Doyuran, 2004, p.672).
- The p-value shows the degree of significance of the logit coefficients, and a value less than 0.05 implies the result is significant (Peng, Lee and Ingersoll, 2002, p.6).
- The likelihood ratio (LR) chi-square test (LR chi2) which is "-2 times the difference between the log likelihoods of two models, one of which is a subset of the other" (NCSS Statistical Software, nd, p.8). This is usually used to evaluate the overall logistic model.

Furthermore, with the logistic regression technique, the fit of a logistic model against actual outcome is assessed through the goodness-of-fit statistics (Peng, Lee and Ingersoll, 2002, p.6). The goodness-of-fit statistics include the Hosmer-Lemeshow (H-L) test, the Pearson chi-square statistic, and the classification rate. The H-L test and the Pearson chi-square statistic measure how well the model fits the data (Peng, Lee and Ingersoll, 2002, p.6). To indicate a good model fit, the p-value must be greater than 0.05 (Peng, Lee and Ingersoll, 2002, p.6). The classification rate measures how well the predicted and targeted groups are classified or predicted, and the

higher the classification rate, the greater extent to which the predicted and targeted groups are well classified (Peng, Lee and Ingersoll, 2002, p.8).

The logic regression results for the relationship between privately owned and state-owned Chinese firms in Cameroon and resource-, market- and strategic asset-seeking motives are presented in Table 6.18 below.

Table 6.18: Results of logistic regression for the relationship between privately owned and state-owned Chinese firms and resource-, market-, efficiency- and strategic asset-seeking motives.

Predictors	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Resource-seeking	-0.13 (0.69)	-0.053 (0.87)	-0.11 (0.73)	-0.14 (0.68)
Market-seeking		1.85 (0.001) **		1.44 (0.017) *
Strategic asset-seeking			-1.36 (0.001) **	-0.81 (0.09) ***
Constant	2.49	-2.82	5.51	0.37
LR Chi-square (X^2)	0.15 (0.7000)	19.47 (0.0001)	13.63 (0.0011)	22.41 (0.0001)
Degree of freedom (df)	1	2	2	3
H-L test Chi-square (X^2)	4.94 (0.42)	3.74 (0.87)	4.80 (0.77)	5.13 (0.74)
Pearson chi-square (X2)	10.72 (0.70)	66.59 (0.74)	55.42 (0.57)	56.45 (0.99)
Classification rate	90%	91%	88%	92%

* p<0.05; ** p<0.01; *** p<0.1
(**Source:** Author's own compilation using Stata 14.2).

For Model 1, as shown in Table 6.18 above, the variables for resource-seeking were entered into the logistic model as predicting variables. The results indicate that there is no relationship between privately owned and state-owned Chinese firms and resource-seeking motives in Cameroon. The logit coefficient was negative (-0.13) and therefore not significant (p=0.69), indicating that with every one unit change in the mean score of resource-seeking (predictor), the probability/log odd of privately owned Chinese firms to invest in Cameroon decreases by -0.13% less likely than state-owned Chinese firms. Regarding the goodness-of-fit of Model 1, the H-L and the Pearson chi-square test were non-significant (p=0.42) and (p=0.70),

respectively, which indicates a good fit of model. Furthermore, the LR chi-square test is not significant (p=0.70) showing that Model 1 is not statistically significant, indicating the full set of predictors is not a significant improvement in fit over the model. In addition, the classification result was 90% which indicates that the groups are correctly classified. $H^{3.1}$ is thus not supported.

For Model 2, controlling for resource-seeking, the results show that there is relationship between privately owned and state-owned Chinese firms in Cameroon and market-seeking motives. The logit coefficient is significant at 1% level ($p<0.01$) and indicates that for every one unit change in the mean score of market-seeking (predictor), the probability/log odd of privately owned Chinese firms to invest in Cameroon increases by 1.85% more likely than state-owned Chinese firms. Regarding the goodness-of-fit of Model 2, the H-L (0.87) and the Pearson chi-square test (0.74) were non-significant indicating a good fit of model. Furthermore, the LR chi-square test is significant (p=0.0001) indicating that Model 2 is statistically significant and the full set of predictors is a significant improvement in fit over the model. In addition, the classification result was 91% indicating that the groups are correctly classified. $H^{3.2}$ is thus supported.

For Model 3, controlling for resource-seeking, the results show that there is a relationship between privately owned and state-owned Chinese firms in Cameroon and strategic asset-seeking motives. The logit coefficient is significant at 1% level ($p<0.01$) and negative (-1.36), indicating that for every one unit change in the mean score of strategic asset-seeking (predictor), the probability/log odd of privately owned Chinese firms to invest in Cameroon decreases by -1.36% less likely than state-owned Chinese firms. Regarding the goodness-of-fit of Model 3, the H-L (0.77) and the Pearson chi-square test (0.57) were non-significant indicating a good fit of model. Furthermore, the LR chi-square test is significant (p=0.0011) indicating that the model is statistically significant, and the full set of predictors is a significant improvement in fit over the model. In addition, the classification result was 88% indicating that the groups are correctly classified. $H^{3.4}$ is thus supported.

For Model 4, controlling for resource-seeking, the results show that there is a relationship between privately owned and state-owned Chinese firms in Cameroon and market-seeking motives. The logit coefficient is significant at 5% level ($p<0.05$) and positive (1.44), indicating that for every one unit change in the mean score of market-seeking (predictor), the

probability/log odd of privately owned Chinese firms to invest in Cameroon increases by 1.44% more likely than state-owned Chinese firms. The model also shows that there is a relationship between privately owned and state-owned Chinese firms in Cameroon with strategic asset-seeking motives. The logit coefficient is significant and negative at 10% level ($p<0.1$), indicating that for every one unit change in the mean score of strategic asset-seeking (predictor), the probability/log odd of privately owned Chinese firms to invest in Cameroon decreases by -0.81% less likely than state-owned Chinese firms. Regarding the goodness-of-fit of Model 4, the H-L (0.74) and the Pearson chi-square test (0.99) were non-significant indicating a good fit of model. Furthermore, the LR chi-square test ($p=0.0001$) is significant indicating that the model is statistically significant, and the full set of predictors is a significant improvement in fit over the model. In addition, the classification result was 92% indicating that the groups are correctly classified.

Of the four models above, Model 4 was deemed the best model considering that it included all the three motive factors, the model was statistically significant, and had the highest classification rate (92%) compared to the other three models. To provide further validation for Model 4 as the best model, a Wald test was performed on Model 4.

The Wald test and the Likelihood Ratio (LR) are used to evaluate the significance of the variables in the model and to determine how well the variables used in a statistical model predict the dependent variables (Chinese privately owned or state-owned FDI) (Sommer and Huggins, 1996, p. 15; Peng, Lee and Ingersoll, 2002, p.6). Significance indicates they contribute to the model given that variables which do not contribute to the model can be deleted without any effect to the model. The main strength of the Wald test over the LR test is that it is simple to perform given that it requires only one model to be estimated (Agresti, 1990, p.14). The Wald test determines whether the parameters associated with the variables equal zero (Agresti, 1990, p.14 and Sommer and Huggins, 1996, p. 15). If the Wald test is significant then it can be concluded that the parameters associated with the variable are not equal to zero and the variables should be included in the model. However, if the Wald statistic is not significant then the variables can be omitted from the model.

For this research, a Wald test was performed on Model 4, including all the predictor variables to indicate the overall fitness of Model 4. The results for the Wald test are shown in Table 6.19.

Table 6.19: Results of the Wald test on Model 4.

	Wald statistic	**p-value**
Constant	0.02	0.87
Resource-seeking	0.16	0.68
Market-seeking	5.69	0.017**
Strategic asset-seeking	2.83	0.09**

*: p<0.05; ** p<0.01; *** p<0.1
(**Source:** Author's own compilation using Stata 14.2).

The results in Table 6.19 show that parameters of the variables market- and strategic asset-seeking are individually significant and are a statistically significant improvement in the fit of the model. Thus, based on the Wald test coefficients for the individual variables and their corresponding p-values, market-seeking and strategic asset-seeking are the most important predictors of Chinese FDI in Cameroon and Model 4 including both variables shows a good fit. A further confirmation that $\mathbf{H^{3.2}}$ and $\mathbf{H^{3.4}}$ are supported.

To fulfil the fourth objective of this research, the next section utilises descriptive statistics to ascertain the importance of selected economic determinants for the motives of Chinese FDI in Cameroon.

6.4 ASCERTAINING THE IMPORTANCE OF SELECTED ECONOMIC MACRO-LOCATIONAL DETERMINANTS OF FDI FOR THE MOTIVES OF FDI

To ascertain the importance of selected economic macro-locational determinants of FDI for the motives of FDI, the responses and frequencies for the items on the research instrument pertaining to economic determinant for the corresponding FDI motives identified in Chapters 3 and 4 will be analysed to ascertain their importance for the motives of Chinese FDI in Cameroon.

The selected economic determinants, as mentioned in Chapter 3, Section 3.5 and Chapter 4, Section 4.2.4, include the importance of the cost of labour and availability of natural resources for resource-seeking FDI. The importance of market size and access to regional markets for market-seeking motives and the importance of skilled labour, R&D capacity, technology, and brand names for strategic-asset seeking motives will be determined. Unfortunately, the

importance of brands for strategic asset-seeking cannot be ascertained as the item had a poor loading on the CFA. As mentioned in Chapter 5, the frequencies for the specific questions relating to the selected economic macro-locational determinants are analysed to ascertain their importance for the motives of Chinese FDI in Cameroon. The results are presented in Table 6.20 below.

Table 6.20: The frequencies for the selected economic macro-location determinants of FDI**.**

	Not important ⟷ Very important				
Items pertaining to resource-seeking	**1**	**2**	**3**	**4**	**5**
Availability of low-cost labour in Cameroon	3	22	50	23	2
To obtain access to raw materials not readily available in China	78	5	2	8	7
Items pertaining to market-seeking					
Proximity of Cameroon to large, third markets for exports	20	5	8	26	41
To develop new markets outside of China through direct investment	17	8	13	26	36
To be closer to your important customers in Cameroon	16	10	5	18	51
Items pertaining to strategic asset-seeking					
To improve the technological ability of the firm	60	28	10	2	0
To access particular national research expertise available in Cameroon	66	16	4	10	4
To access particular national technological expertise available in Cameroon	68	12	7	11	2
Availability of technical and skilled workforce	18	46	21	13	2

(**Source**: Researcher's own estimation using Stata 14.2).

With regard to resource seeking, as shown in Table 6.20 above, the most important economic macro-locational determinant of FDI was the availability of low-cost labour with (n=23) and (n=2) of the respondents indicating that it was important and very important, respectively. This was followed by access to raw materials not readily available in China with (n=8) and (n=7) of respondents indicating that the availability of natural resources was important and very important, respectively, to invest in Cameroon. However, the low frequencies can be attributed to the results in Section 6.3.7 which indicated that there was no relationship between Chinese FDI in Cameroon and resource-seeking.

Regarding market-seeking motives, the most importance economic macro-locational determinant was to access Cameroon's market in order to be closer to important customers in Cameroon, with the majority of the respondents (n=51) indicating that it was very important for them. This was followed by the proximity of Cameroon to large third markets for exports with (n=41) of respondents indicating that this factor was very important when deciding to invest in Cameroon. Finally, the need to develop new markets outside of China was indicated by (n=36) of the respondents as being a very important motivation for investing in Cameroon.

Regarding strategic asset-seeking, the most important economic determinant was to access particular national research expertise available in Cameroon, where (n=4) and (n=10) of the respondents indicated that it was very important and important, respectively, for investing in Cameroon. This was followed by the availability of technical and skilled workforce where (n=2) indicated that it was very important and (n=13) of respondents indicated that it was important. This was closely followed by access to particular national technological expertise available in Cameroon with (n=2) and (n=11) of the respondents indicating that it was very important or important, respectively for investing in Cameroon. The low frequencies can be attributed to the results in the previous section which indicate that there is no positive relationship with Chinese FDI in Cameroon and strategic asset-seeking. The findings concur with the main economic determinants for the motives of FDI identified in Chapters 3 and 4.

To fulfil the fifth objective of this research, the next section uses descriptive statistics to identify the challenges faced by Chinese FDI in Cameroon.

6.5 CHALLENGES FACED BY CHINESE FDI IN CAMEROON

To identify the challenges faced by Chinese FDI in Cameroon, this section uses descriptive statistics to analyse the individual challenges and identify general challenges faced by Chinese FDI in Cameroon. Furthermore, this section identifies the particular challenges faced by either privately owned or state-owned Chinese firms in Cameroon. The results are presented in Tables 6.21 to 6.28 below.

Table 6.21 shows that most of the respondents, 67% (n=67), strongly agree that high levels of corruption in Cameroon are a challenge they face in Cameroon. This was followed by 27% (n=27) who agree that the level of corruption is a challenge they face in Cameroon and only

6% (n=6) neither agreed nor disagreed that high levels of corruption in Cameroon are a challenge they face.

Table 6.21: Frequency distribution pertaining to high levels of corruption.

High corruption	Frequency (n)	Percentage (%)
Neutral	6	6
Agree	27	27
Strongly agree	67	67
Total	100	100

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.22 shows that the majority of the respondents, 37% (n=37), disagreed that the volatility of the political environment of Cameroon is a challenge they face in Cameroon. Of the respondents, 31% (n=31) neither agreed nor disagreed that the volatility of the political environment of Cameroon is a challenge they face in Cameroon. Only 12% (n=12) agreed that the volatility of the political environment of Cameroon is a challenge they face in Cameroon.

Table 6.22: Frequency distribution pertaining to the volatility of the political environment.

Political volatility	Frequency (n)	Percentage (%)
Strongly disagree	16	16
Disagree	37	37
Neutral	31	31
Agree	12	12
Strongly agree	4	4
Total	100	100

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.23 below shows that most of the respondents (45%) (n=45) strongly agreed that the ambiguity of the legal system of Cameroon is a challenge they face in Cameroon, while 33% (n=33) agreed, 21% (n=21) neither agreed nor disagreed that the ambiguity of the legal system of Cameroon is a challenge they face in Cameroon. Only 1% (n=1) of respondents strongly disagreed that the ambiguity of the legal system of Cameroon is a challenge they face.

Table 6.23: Frequency distribution pertaining to the ambiguity of the legal system of Cameroon.

Ambiguity of legal system	Frequency (n)	Percentage (%)
Disagree	1	1
Neutral	21	21
Agree	33	33
Strongly agree	45	45
Total	100	100

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.24 below shows that most of the respondents, 52% (n=52), disagreed that the uncertainty of economic environment is a challenge they face in Cameroon while 34% (n=34) strongly disagree, and 10% neither agreed nor disagreed. Only 3% agreed and 1% strongly agreed that the uncertainty of the economic environment is a challenge they face in Cameroon.

Table 6.24: Frequency distribution pertaining to the uncertainty of the economic environment.

Economic uncertainty	Frequency (n)	Percentage (%)
Strongly disagree	34	34
Disagree	52	52
Neutral	10	10
Agree	3	3
Strongly agree	1	1
Total	100	100

(**Source**: Researcher's own estimation using Stata 14.2).

As shown in Table 6.25 below, most of the respondents, 36% (n=36), neither agreed nor disagreed, and only 5% (n=5) disagreed that the difficulty to negotiate with government and or privatisation authorities in Cameroon was a challenge they face in Cameroon. On the other hand, 35% (n=35) agreed and 24% (n=24) strongly agreed that the difficulty to negotiate with government and or privatisation authorities in Cameroon is a challenge they face.

Table 6.25: Frequency distribution on difficulty to negotiate with government and/or privatisation authorities.

Difficult to negotiate	Frequency (n)	Percentage (%)
Disagree	5	5
Neutral	36	36
Agree	35	35
Strongly agree	24	24
Total	100	100

(**Source**: Researcher's own estimation using Stata 14.2).

As shown in Table 6.26 below, the majority of respondents, 45% (n=45), strongly disagreed and 4% (n=4) disagreed that the difficulty to export to potential new markets is a challenge they face in Cameroon. Of the respondents, 28% (n=28) neither agreed nor disagreed that the difficulty to export to potential new market is a challenge they face in Cameroon, 20% (n=20) agree and only 3% (n=3) strongly agreed.

Table 6.26: Frequency distribution pertaining to the difficulty to export to potential new markets.

Difficulty to export	Frequency	Percentage (%)
Strongly disagree	45	45
Disagree	4	4
Neutral	28	28
Agree	20	20
Strongly agree	3	3
Total	100	100

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.27 below shows that the majority of the respondents, 45% (n=45), neither agreed nor disagreed that the high levels of tax is a challenge they face in Cameroon, while only 4% (n=4), disagreed. On the other hand, 32% (n=32) agree and 19% (n=19) strongly agreed that the high level of tax is a challenge they face in Cameroon.

Table 6.27: Frequency distribution pertaining to high level of tax.

High levels of tax	Frequency (n)	Percentage (%)
Disagree	4	4
Neutral	45	45
Agree	32	32
Strongly agree	19	19
Total	100	100

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.28 above shows that the majority of the respondents, 32% (n=32), strongly disagreed and 26% (n=26) disagreed that the difficulty to find a suitable partner is a challenge they face in Cameroon. On the other hand, 23% (n=23) neither agreed nor disagreed that the difficulty to find a suitable partner is a challenge they face in Cameroon, 7% (n=7) agreed and 12% (n=12) strongly agreed.

Table 6.28: Frequency distribution pertaining to the difficulty to find a suitable partner.

Difficult to find partner	Frequency	Percentage
Strongly disagree	32	32
Disagree	26	26
Neutral Agree	23	23
Agree	7	7
Strongly agree	12	12
Total	100	100

(**Source**: Researcher's own estimation using Stata 14.2).

- **Summary of challenges faced by Chinese FDI in Cameroon**

To provide a summary of the challenges faced by Chinese FDI in Cameroon, Table 6.29 shows the mean and standard deviations for the various challenges faced by Chinese FDI in Cameroon.

Table 6.29: Mean score of challenges faced by Chinese FDI in Cameroon.

Variable	Number of firms	Mean	Std. dev.	Min	Max
Corruption	100	4.61	0.60	3	5
Volatility of political environment	100	2.51	1.02	1	5
Legal system	100	4.22	0.81	2	5
Economic environment	100	1.85	0.79	1	5
Difficult to negotiate	100	3.78	0.87	2	5
Difficult to export	100	2.32	1.30	1	5
High taxes	100	3.66	0.83	2	5
Difficult to find partner	100	2.41	1.32	1	5

(**Source**: Researcher's own estimation using Stata 14.2).

With reference to the mean scores shown in Table 6.29 above, the most significant challenge faced by Chinese FDI in Cameroon is high level of corruption (4.61). This is followed by ambiguity of the legal system of Cameroon (4.22), the difficulty to negotiate with government and privatisation officials (3.78), high levels of taxes (3.66), volatility of the political environment (2.51), difficulty to find a suitable partner (2.41), difficulty to export to potential new markets (2.32), and the uncertainty of the economic environment (1.85).

To illustrate the differences in the challenges faced by privately owned and state-owned Chinese firms in Cameroon, the following section shows the mean differences in the challenges faced by both Chinese privately owned and state-owned in Cameroon.

- **Challenges faced by privately owned and state-owned Chinese firms in Cameroon**

Summary of descriptive statistics pertaining to challenges faced by privately owned and state-owned firms.

Tables 6.30 and 6.31 below show the data pertaining to the challenges faced by both privately owned and state-owned Chinese firms.

Table 6.30: Mean score pertaining to challenges faced by state-owned Chinese firms in Cameroon.

Variables	Observation	Mean	Standard deviation	Minimum	Maximum
Corruption	10	4.2	0.78	3	5
Politics	10	2.6	1.26	1	5
Legal system	10	3.9	0.87	3	5
Economic uncertainty	10	1.9	0.87	1	4
Difficult to export	10	1.8	1.03	1	3
Difficult to negotiate	10	3.5	0.70	3	5
High taxes	10	3.0	0.47	2	4
Difficult to find partner	10	2.2	1.22	1	4

(**Source**: Researcher's own estimation using Stata 14.2).

Table 6.31: Mean score pertaining to challenges faced by privately owned Chinese firms.

Variable	Observation	Mean	Standard deviation	Minimum	Maximum
Corruption	90	4.7	0.56	3	5
Political volatility	90	2.5	1.00	1	5
Legal system	90	4.3	0.80	2	5
Economic uncertainty	90	1.8	0.79	1	5
Difficult to export	90	2.4	1.32	1	5
Difficult to negotiate	90	3.8	0.88	2	5
High taxes	90	3.7	0.83	2	5
Difficult to find partner	90	2.4	1.34	1	5

(**Source**: Researcher's own estimation using Stata 14.2).

With regard to corruption, the mean score was 4.2 for state-owned firms, as opposed to a 4.7 for privately owned firms, which suggests that privately owned firms are more subject to corruption than state-owned firms. With regard to the volatility of the political environment of Cameroon, the mean score for state-owned firms was 2.6 and for privately owned firms was 2.5, indicating that state-owned firms find the political environment of Cameroon more volatile than privately owned firms do. Thus, political volatility is more of a challenge for state-owned firms compared to privately owned firms.

Concerning the ambiguity of the legal system, the mean score for state-owned firms was 3.9, as opposed to a 4.3 score for privately owned firms. This implies that most privately owned firms agreed that the legal system of Cameroon is ambiguous as opposed to what is experienced by state-owned firms. This suggests that ambiguity of the legal system of Cameroon was identified as constituting a major challenge for privately owned firms in Cameroon compared to state-owned firms.

With regard to the uncertainty of the economic environment, the mean scores for state-owned and privately owned firms were 1.9 and 1.8 respectively. This indicates that state-owned firms found the economic environment for Cameroon to be more uncertain than privately owned firms do. However, the low mean score suggests that economic uncertainty is not a major challenge for either type of firm.

Regarding the difficulty to export to potential new markets, the mean scores were 1.8 and 2.4 for state-owned and privately owned firms, respectively. This suggests that the difficulty to export to potential new markets is more of a challenge for privately owned firms than it is for state-owned firms.

Regarding the difficulty to negotiate with government/privatisation authorities, the mean scores were 3.5 and 3.8 for state-owned and privately owned Chinese firms, respectively. This suggests that difficulty to negotiate with government/privatisation authorities, is slightly more of a challenge for privately owned Chinese firms compared to state-owned Chinese firms.

Regarding high taxes, the mean scores were 3.0 and 3.7 for state-owned and privately owned firms, respectively. This suggests that most privately owned firms regarded the level of taxes in Cameroon as high as compared to the opinions on taxes in state-owned firms. This implies

that the level of taxes is a major challenge for privately owned firms compared to state-owned firms.

With regard to difficulty to find a suitable partner, the mean scores were 2.2 and 2.4 for state-owned and privately owned firms, respectively. This suggests that compared to state-owned firms, more privately owned firms agreed that the difficulty of finding a suitable partner was a challenge for them. Thus, privately owned firms are more subject to this challenge than state-owned firms are.

6.6 CHAPTER SUMMARY

This chapter provided an overview of the methods of data analysis used to analyse the empirical secondary and primary data in the research. Furthermore, this chapter was divided into two phases where in phase one the secondary data pertaining to the macro-locational determinants of FDI was analysed and in phase two the primary data pertaining to the motives of Chinese FDI in Cameroon was analysed.

In phase one, graphs were used to provide a preliminary graphical representation of the trends in the proposed macro-locational determinants of Chinese FDI and the stock of Chinese FDI in Cameroon for the period 2003 to 2017. Furthermore, to ensure the validity and reliability of the results, the ADF and KPSS unit root and were performed, on the time series data. Thereafter, regression models were estimated and an Ordinary Least Square (OLS) regression was carried out to identify the significant macro-locational determinants of Chinese FDI in Cameroon. After which the Engle-Granger test for cointegration was carried out on Models 2 and 3. In addition, an Error Correction Model was estimated for Models 2 and 3, which showed evidence of cointegration to measure the speed of adjustment in the model.

For phase two, descriptive statistics were used to summarise and analyse the demographics. The demographics were analysed using frequency and percentages to measure respondents' views pertaining to the subject under enquiry. The demographic data included questions relating to the legal identity of the firms, the year of establishment of the firm, and the sector in which the firm operates.

To ensure validity and reliability, the CFA with factor loadings and the Cronbach alpha coefficients were utilised. In addition, the goodness-of-fit was performed to establish the fitness of the model to the data.

An analysis was done on the motives of Chinese FDI with descriptive statistics using frequencies, percentages and means to analyse responses and provide a preliminary picture of the motives of Chinese FDI in Cameroon. The questions on the motives included questions pertaining to resource-, market- and strategic asset-seeking.

Furthermore, a Spearman's correlation was used to investigate whether the motives are not too similar. Thereafter, a t-test and a one-way ANOVA were used to identify the motives and determine whether whether interest in the motives differs between privately owned and state-owned firms in Cameroon.

To determine whether a relationship exists between Chinese FDI motives in privately owned and state-owned Chinese firms in Cameroon, a logistic regression technique was used for the analysis. Furthermore, a goodness-of-fit was also performed for the logistic analysis to determine whether the models were a good fit for the test. In addition, a Wald test was selected on the last model to determine whether the variables used in the model were significant and to determine how well the variables used in the logistic regression model predict the investment by privately owned or state-owned Chinese FDI.

In addition, to ascertain the importance of selected economic determinants for the motives of Chinese FDI, descriptive statistics using frequencies were used to analyse responses to the questions pertaining to the selected economic determinants for the motives of Chinese firms in Cameroon.

Lastly, to identify the challenges faced by Chinese FDI in Cameroon, descriptive statistics by means of frequencies, percentages and mean scores were used to analyse responses to the questions pertaining to the challenges faced by Chinese FDIs in Cameroon. The questions related to corruption, the political environment of Cameroon, the legal system of Cameroon, the economic environment of Cameroon, difficulty to negotiate with government and privatisation authorities, difficulty to export to potential new markets, high levels of tax and the difficulty to find suitable partners.

The next chapter will present a summary of the research, and will include interpretations, implications and recommendations based on the results presented in this chapter. Finally, the contributions of the research and the limitations of the research will also be outlined.

CHAPTER 7:
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

In the final chapter of this research, an overview of the research process is provided followed by a discussion on the most significant findings pertaining to the macro-locational determinants of FDI, the motives of Chinese FDI in Cameroon and the challenges faced by Chinese FDI as per the analysis in Chapter 6. In this chapter, the main findings of the research in relation to the purpose and objectives of the research are interpreted against the backdrop of theories and literature on the topic. Recommendations are provided based on the empirical findings and the review of Chinese FDI in Cameroon. To conclude, a discussion on the main contributions of the research and the limitations of the research are also provided.

7.2 OVERVIEW OF THE RESEARCH

As noted in Chapter 1, in most global economies, especially in developing economies, FDI contributes significantly to economic development and growth. FDI is particularly important for knowledge transfer, job creation, an increase in national income (Alfaro, 2014, p.30; Kariuki, 2015, p.346). The benefits provided by FDI have led to a scramble for FDI by most countries but African countries generally still lag behind in terms of FDI inflows despite many African economies' high reliance on FDI to fund various domestic socio-economic crises (Sichei and Kinyondo, 2012, p.85). Factors such as political and macroeconomic instability, low growth, weak infrastructure, poor governance, inhospitable regulatory environments, and ill-conceived investment promotion strategies, have been identified as some of the major challenges faced by potential investors with consequent limited flow of FDI into most African countries (Dupasquier and Osakwe, 2005, p.241).

The prevalence of and scramble for FDI has necessitated an urgent and clear understanding of the macro-locational determinants of FDI. Given that the locational determinants at the macro level are the main sources of a country's comparative advantage in attracting FDI (Dunning and Zhang, 2008, pp.3-4; Sichei and Kinyondo, 2012, p.88), several theories have been postulated and empirical studies conducted to identify the macro-locational determinants of FDI. However, amongst the theories and the empirical studies there is still no universally

acceptable set of macro-locational determinants of FDI due largely to the fact that the macro-locational determinants to attract FDI vary among countries and are sometimes dependent on the motive of the FDI. To provide a better understanding of the importance of the macro-locational determinants of FDI, UNCTAD (1998) categorised the macro-locational determinants of FDI into three categories, namely, policy framework for FDI, economic determinants and business facilitation, indicating that the policy framework for FDI and business facilitation are important for all FDI, irrespective of the motives for the FDI. The importance of the economic determinants of FDI is largely dependent on the motives of the FDI.

However, with the emergence of China as one of the major FDI providers globally, Africa has reason to be hopeful given the historical influx of several FDI firms in many African countries. The presence of Chinese firms in Africa has raised widespread criticism and ongoing concern on the Chinese motives for investing in Africa. The warning for African countries is that Chinese FDI seems to flout the conventional western approach to FDI and the historically accepted FDI theory which is that of selecting a stable and well-managed investment environment for investment, with Chinese FDI opting rather to make large investments in poorly governed resource-rich countries. Furthermore, some studies such as those of Ramasamy, Yeung and Laforet (2012) and Huang and Renyong (2014) have also identified differences in the motives of state-owned and privately owned Chinese firms. In some cases, studies indicate that Chinese FDI does not seem to follow conventional FDI theories in terms of the macro-locational determinants.

With due regard for the above discussion, the aim and primary objective of this research is related to the context of Chinese FDI in Cameroon and, specifically, to ascertain the significance of the proposed macro-locational determinants for Chinese FDI and to identify the motives for and challenges facing Chinese FDI in Cameroon.

To achieve the aim and primary objective of this research the following secondary objectives were formulated:

1. To ascertain the significance of the macro-locational determinants of Chinese FDI in Cameroon.

2. To identify the motives for Chinese FDI in Cameroon and determine whether interest in the motives differs between privately owned and state-owned firms in Cameroon.
3. To determine whether a relationship exists between privately owned and state-owned Chinese firms in Cameroon and FDI motives.
4. To ascertain the importance of selected economic macro-locational determinants for the motives of Chinese firms in Cameroon.
5. To identify the challenges faced by Chinese FDIs in Cameroon.
6. To provide recommendations to the Cameroonian government on how to attract more Chinese FDI and also to provide a better understanding of the motives of Chinese FDIs.

To achieve the aims and objectives of the research, various theories and empirical studies pertaining to the macro-locational determinants and motives of FDI were examined. Furthermore, the theories, literature and a statistical model by Buckley, et al. (2007) (see Chapter 1, Section 1.3.4) assisted in identifying the variables of the research and included the independent variables (proposed macro-locational determinants of FDI variables) and the dependent variable (stock of Chinese FDI as a percentage of GDP).

The research consisted of seven chapters, with each chapter focused on aspects of the different objectives mentioned above. Chapter 1 provided an introduction to the research and the research aim and objectives were formulated. Chapters 2, 3 and 4 focused on the literature and theories on the macro-locational determinants of FDI, the motives of FDI and the challenges faced by FDI. Chapters 5 and 6 focused on the research methodology, and the findings of the empirical results of the research, respectively.

The following short descriptions provide an overview of each chapter and its relevance to the research.

Chapter 1 provided the introduction and background information for the research and included the foundation and overview of the research. Against the backdrop of the introduction and background, the research aim and objectives were formulated. In addition, three sets of research hypotheses were formulated for the first, second and third objectives of this research. Lastly, an overview of the proposed research design, methodology, sampling process, data analysis and ethical considerations for the research study were provided.

Chapter 2 introduced the concept of FDI and the origin and evolution of FDI in Africa and in Cameroon to provide the rationale for investigating the macro-locational determinants and motives of Chinese FDI in Cameroon. The chapter provided the definition of FDI, FDI trends in Africa and the rise of China on the continent. The chapter described the nature of China-Africa relations and Chinese FDI in Africa and included a description of the economic background of Cameroon, the trends of FDI in Cameroon and the nature of China-Cameroon relations. A discussion on some of the challenges faced by Chinese FDI in Cameroon was also provided. The chapter concluded with a detailed discussion on the most relevant theories on FDI.

Chapter 3 discussed the macro-locational determinants of FDI and assessed the most prominent macro-locational determinants of FDI. In addition, various studies on FDI in Africa were reviewed to identify the macro-locational determinants of FDI in Africa. Furthermore, as the focus of the research is Chinese FDI, relevant studies in the current literature on the topic of Chinese FDI were consulted to identify the macro-locational determinants. In addition, a review of FDI studies in Cameroon was undertaken to assist in identifying the macro-locational determinants of FDI in Cameroon. Lastly, a review on other international studies was provided to identify other macro-locational determinants of FDI.

Chapter 4 provided an in-depth discussion on the diverse motives for FDI with particular emphasis on the motives for Chinese FDI. In addition, previous studies on the motives of Chinese FDI in terms of privately owned and state-owned Chinese firms were reviewed to identify the diverse motives for Chinese FDI. The review of previous studies also assisted in identifying the relationship between privately owned and state-owned Chinese FDI in terms of the various motives for FDI.

Chapter 5 linked the research design to the research paradigm and methodology and outlined the research design, the research paradigm, the approaches within the paradigms, the assumptions of the paradigms and the decision on the paradigm, the decision on the methodology, sampling units and methods, data collection and methods, quality criteria, data analysis and ethical considerations. The research consisted of two phases, with phase one focusing on the data collected and analysis of the macro-locational determinants of FDI and phase two focusing on the motives of FDI and the challenges faced by FDI.

Chapter 6 presented the results of the empirical analysis. The chapter was divided into two phases according to the methodology. In phase one, graphs were used to summarise the data and provide a preliminary picture of the relationship between the proposed macro-locational determinants of Chinese FDI variables and the stock of Chinese FDI. Furthermore, a simple correlation was done to provide a preliminary picture of the relationship between the independent variables (proposed macro-locational determinant of FDI variables) and the dependent variable (stock of Chinese FDI as a percentage of GDP). The results of the various the unit root were provided. After which, a multiple regression by means of an OLS regression was done to test the first set of hypotheses formulated for the first objective of the research to ascertain the significance of the proposed macro-locational determinants of Chinese FDI in Cameroon. Lastly, cointegration tests and Error corrections models were estimated. The validity and reliability of the results for Phase one were ensured through the unit root and cointegration tests. In phase two, descriptive statistics utilising tables, frequencies and mean scores were used to summarise and analyse the data collected. The research recorded a response rate of 55.18%. Furthermore, the results of the validity and reliability tests and the goodness-of-fit test were presented. To test the second and third sets of research hypotheses formulated for the second and third objectives of this research, a Spearman's correlation was done to investigate multicollinearity to determine whether the motive variables were not too similar. Thereafter, a t-test and a one-way ANOVA were carried out to identify the motives for Chinese FDI in Cameroon and to determine whether the motives differ between privately owned and state-owned firms in Cameroon. A logistic regression was done to determine whether a relationship exists between privately owned and state-owned Chinese firms in Cameroon and resource-market and strategic asset-seeking motives.

Lastly, frequencies were used to ascertain the importance of selected economic macro-locational determinants for the motives of Chinese firms in Cameroon. Percentages and frequency and mean scores were used to analyse the challenges faced by Chinese FDI in Cameroon.

7.3 OVERVIEW OF RESULTS AND CONCLUSIONS OF THE RESEARCH

This section provides an overview of the empirical results and conclusions of the research. The overview of the results and conclusions are presented in two phases. Firstly, in phase one the results and conclusions pertaining to the macro-locational determinants of Chinese FDI are

presented. The results and conclusions pertaining to the motives, the importance of the macro-locational determinants for the motives and the challenges faced by Chinese FDI are presented in phase two.

7.3.1 Phase one: Overview of results and conclusions

In phase one, the results and conclusions pertaining the macro-locational determinants of Chinese FDI are presented.

- **Preliminary results of the relationship between the independent variables (proposed macro-locational determinants of FDI) and the dependent variable (stock of Chinese FDI) using a simple correlation test.**

  As shown in Chapter 6, Table 6.1 indicated a positive correlation between FDI and ELECTRICITY, REALGDP, HDI, and FUEL_EXPT and a negative correlation between FDI and POL_RISK, TRADEOPEN, INFLATION, REER and DISCRATE. The results are corroborated with previous studies and theories.

  In line with previous studies and theories as indicated above, Asiamah, Ofori, Afful (2019) positive relationship with FDI and access to electricity in line with the theory of competitive advantage (Chapter 2, Section 2.8.12). Mourao (2018) suggests a positive relationship between FDI and real GDP in line with IDPT and the eclectic paradigm (see Chapter 2, Section 2.8.6). Blanc-Brude, et al. (2014) suggest a positive relationship between FDI and HDI in line with the theory of competitive advantage. The electic paradigm, IDPT and location-specific theory (see Chapter 2, Section 2.8) suggest a positive relationship between FDI and natural resources (FUEL_EXPT). The theory of competitive advantage (see Chapter 2, Section 2.8.12) suggests a positive relationship between FDI and GCI.

  Solomon and Ruiz (2012, p.181) suggest a negative relationship between FDI and political risk in line with the product cycle theory. Mijiyawa (2012) suggests a negative relationship with FDI and trade openness, which is attributed to the fact that FDI could be a substitute for exports when trade barriers are present. Yao, et al. (2016) suggests a negative relationship between FDI and the Inflation rate. Kariuki (2015) suggests a

negative relationship between FDI and the exchange rate in line with Aliber's hypothesis and Froot and Stein's model (see Chapter 2, Section 2.8). Asiamah, Ofori and Afful (2019) suggest a negative relationship between FDI and discount rate indicated that there is a negative relationship with FDI and REER.

- **Tests for the non-stationarity/stationarity of the data using ADF and KPSS tests to avoid spurious results.**

  - With the KPSS test which is more robust than the ADF test and as indicated in Chapter 6, Table 6.3, FDI, FUEL_EXPT, HDI, INFLATION, REER and TRADEOPEN were stationary in level terms. The DISCRATE, ELECTRICITY, GCI, POL_RISK and REALGDP were stationary at first difference.

- **The empirical results of the multiple regression through Ordinary Least Square (OLS) regression between the dependent variable (stock of Chinese FDI as a percentage of GDP) and the independent variables (the proposed macro-locational determinants of FDI).**

  The formulated hypotheses stated in Chapter 1, Section 1.2.3, were tested using OLS regression. The findings pertaining to the stated hypotheses are summarised below.

  - $\mathbf{H^{1.1}}$: There is a positive relationship between Chinese FDI in Cameroon and infrastructure.

    The Base Model (see Appendix B) shows that there is no statistically significant relationship between Chinese FDI in Cameroon and infrastructure (ELECTRICITY) ($p>0.1$). $\mathbf{H^{1.1}}$ is thus not supported.

  - $\mathbf{H^{1.2}}$: There is a positive relationship between Chinese FDI in Cameroon and market size.

    All Models (See Appendix B), reported a statistically significant positive relationship between Chinese FDI in Cameroon and the market size (REALGDP) at 1% level of significance ($p < 0.01$). $\mathbf{H^{1.2}}$ is thus supported.

- **$H^{1.3}$**: There is a positive relationship between Chinese FDI in Cameroon and human capital.
  Table 6.4, Model 2, in Chapter 6, the Base Model and Model 1(see Appendix B), reported a statistically significant negative relationship between Chinese FDI in Cameroon and human capital (HDI) at the 1% level of significance ($p<0.01$). **$H^{1.3}$** is thus not supported.

- **$H^{1.4}$**: There is a positive relationship between Chinese FDI in Cameroon and natural resources.
  The Base Model (see Appendix B) shows that there is no statistically significant relationship between Chinese FDI in Chinese FDI in Cameroon and natural resources (FUEL_EXPT) ($p>0.10$). **$H^{1.4}$** is thus not supported.

- **$H^{1.5}$**: There is a positive relationship between Chinese FDI in Cameroon and Cameroon's Global Competitiveness Index.
  Table 6.4, Model 1 in Chapter 6 and the Base Model (see Appendix B) reported no significant relationship between Chinese FDI in Cameroon and Cameroon' Global competitiveness Index (GCI) ($p >0.01$). Thus, **$H^{1.5}$** is not supported.

- **$H^{1.6}$**: There is a negative relationship between Chinese FDI in Cameroon and political risk.
  Table 6.4 in Chapter 6, the Base Model, and Models 2 and 3 in Appendix B, reported a statistically significant negative relationship between Chinese FDI in Cameroon and political risk (POL_RISK) at the 5% level of significance across all models ($0.01< p < 0.05$). **$H^{1.6}$** is thus supported.

- **$H^{1.7}$**: There is a negative relationship between Chinese FDI in Cameroon and trade openness.
  Table 6.4 shown in Chapter 6, reported a statistically significant negative relationship between Chinese FDI in Cameroon and trade openness at 5% for Models 1 and 2 ($p<0.05$) and at the 1% in Model 3 ($p<0.01$), see Appendix B. Thus, **$H^{1.7}$** is supported.

- **$H^{1.8}$**: There is a negative relationship between Chinese FDI in Cameroon and the inflation rate.

Table 6.4 in Chapter 6 reported no statistically significant relationship between Chinese FDI in Cameroon and the inflation rate ($p>0.1$). Thus, **$H^{1.8}$** is not supported.

- **$H^{1.9}$**: There is a negative relationship between Chinese FDI in Cameroon and the exchange rate.

  Table 6.4 in Model 3, shown in Chapter 6, reported a statistically significant negative relationship between Chinese FDI in Cameroon and the exchange rate at the 5% level ($0.01<p<0.05$). Thus, **$H^{1.9}$** is supported.

- **$H^{1.10}$**: There is a negative relationship between Chinese FDI in Cameroon and the interest rate.

  Table 6.4 in Model 3, shown in Chapter 6, reported a statistically significant positive relationship between Chinese FDI in Cameroon and the discount rate at the 5% level ($0.01<p<0.05$). Thus, **$H^{1.10}$** is not supported.

A summary of the hypothesis findings in phase one on the macro-locational determinants of Chinese FDI in Cameroon is provided in Table 7.1 below.

Table 7.1: Summary of findings based on OLS regression in phase one.

Hypotheses	Sign/significance	Model	Findings
$H^{1.1}$ Infrastructure	Not significant	Base Model	Not supported
$H^{1.2}$ Market size	Positive/significant	Base Model, Models 1, 2 and 3	Supported
$H^{1.3}$ Human capital	Negative/significant	Base Model, Models 1 and 2	Not supported
$H^{1.4}$ Natural resources	Not significant	Base Model	Not supported
$H^{1.5}$ Global competitive index	Not significant	Base Model and Model 1	Not supported
$H^{1.6}$ Political risk	Negative/significant	Base Model, Models 1, 2 and 3	Supported
$H^{1.7}$ Trade openness	Negative/significant	Models 1, 2 and 3	Supported
$H^{1.8}$ Inflation rate	Not significant	Base Model, models 1, 2 and 3	Not supported

Hypotheses	Sign/significance	Model	Findings
$H^{1.9}$ Exchange rate	Negative/significant	Model 3	Supported
$H^{1.10}$ Interest rate	Positive/significant	Model 3	Not supported

(Source: Researcher's own compilation based on the findings from the OLS regression).

Based on Table 7.1 above, the following conclusions are made from the findings of the hypotheses above.

- Contrary to the studies of Mijiyawa (2012, p.11) and Kariuki (2015, p.347), and the eclectic paradigm and theory of competitive advantage that highlights the importance of infrastructure for FDI inflows, this research found no significant positive relationship between Chinese FDI in Cameroon and the infrastructure proxy variable. However, this finding may be attributed to the fact that the slow growth in providing access to electricity may well provide a business opportunity for Chinese firms in Cameroon, given that most of the hydro-electric dams in Cameroon are constructed by Chinese firms (Mayers, Nguiffo and Assembe-Mvondo, 2019).

- Concurring with the findings of Mourao (2018) that identified market size as a macro-locational determinant of Chinese FDI in Africa, and also in line with the eclectic paradigm and IDPT that emphasises the importance of market size to attract FDI inflows in a country, this research found a significant positive relationship between Chinese FDI in Cameroon and market size.

- Contrary to the matrix of the Firm Specific Advantages-Country Specific Advantages (FSA-CSA) at the MNE level, and the theory of competitive advantage that emphasises the importance of the quality of human capital to attract FDI inflow, this research found a significant negative relationship between Chinese FDI in Cameroon and human capital. The unexpected negative sign could be attributed to the tendency of Chinese FDI to immigrate their labour force and their perceived lack of interest in developing the skills in the host country, as reported in the study of Claassen, Loots and Bezuidenhout (2011) which showed that Chinese FDI does not consider the level of human capital in African countries. This concurs with the work of with Khan and Baye (2008) who noted that

Chinese firms do not use the local Cameroonian labour force as they prefer to immigrate their workforce from China.

- Contrary to the findings of Czimadia (2015) that showed a positive relationship between Chinese FDI and natural resources in 39 African countries and the location-specific theory that emphasises the importance of natural resources to attract FDI inflows in a country, this research found no significant positive relationship between Chinese FDI in Cameroon and natural resources.

- Contrary to the theory of competitive advantage that emphasises the importance of the degree of competitiveness of a country to attract FDI inflows, this research found a negative relationship between Chinese FDI and GCI, which was, however, not considered to be statistically significant.

- This research found a significant negative relationship between Chinese FDI in Cameroon and political risk. This finding contradicts the findings of Kolstad and Wiig (2011) which showed a Chinese FDI preference for areas with high political risk, especially in countries rich in natural resources (see Chapter 3, Section 3.4). The findings concur with Mourao's (2018) study which showed that high political risk reduced the stock of Chinese FDI in most African countries, which corroborates the findings of Zisuh (2001, p.10) that in Cameroon, high political risk was seen to reduce FDI flow.

- This research found a significant negative relationship between Chinese FDI in Cameroon and trade openness. This concurs with the location-specific theory and the work of Forgha, Ngong and Lionel (2016) on Cameroon, where trade openness was shown to have a negative relationship with FDI suggesting that decreased trade openness would stimulate FDI growth in Cameroon.

- This research found that Chinese FDI in Cameroon had no significant negative relationship with inflation rate. In other words, the inflation rate had no impact on Chinese FDI in Cameroon. This finding concurs with the studies of Zhang and Daly (2011, p.393) and Claassen, Loots and Bezuidenhout (2011, p.7) who found that the inflation rate had no impact on Chinese FDI.

- This research found a significant negative relationship between Chinese FDI in Cameroon and the exchange rate. This concurs with Aliber's hypothesis and Froot and Stein's model (see Chapter 2, Section 2.8) which suggest that the preference for FDI increases in countries where the real value of the currency of the country has depreciated. This agrees with the work of Djomo, et al. (2017, p.16) on Cameroon, where an appreciation in the exchange rate seen to negatively affect FDI inflow in the agricultural sector of Cameroon.

- Contrary to findings of Asiamah, Ofori and Afful (2019, p.56) which showed that a decrease in interest rates increased FDI inflows, this research found a significant positive relationship between Chinese FDI and interest rates. In other words, an increase in interest rates leads to an increase in Chinese FDI in Cameroon. This unexpected positive relationship between Chinese FDI and interest rates may be attributed to the fact that Chinese FDI normally has access to funds at very low interest rates from the Chinese government, as explained in Chapter 2, Section 2.4, and investors therefore do not require access to the funds in the host country. Chinese FDI may therefore be attracted to countries with high discount rates, given that they may gain competitive advantage against other FDI who intend to access funding in the host country.

In conclusion, the findings of the research based on Table 6.4 in Chapter 6 in Models 2 and 3, which were indicated as the best performing models, the significant macro-locational determinants of Chinese FDI in Cameroon include market size, political risk, limited trade openness, real effective exchange rates, the discount rate and HDI.

- **Test for cointegration between the macro-locational determinants of FDI variables using Engle-Granger test and estimation of the Error Correction Model (ECM).**

    - The results of the Engle-Granger test for Models 2 and 3 indicated that there was evidence of cointegration. This implies that a long-run relationship exists between the variables and that an ECM was appropriate to investigate the relationship between the variables. Furthermore, the ECM suggested that about 20.6% and 12.3% of the adjustment back to long run equilibrium takes place each quarter for Models 2 and 3, respectively.

7.3.2 Phase two: Overview of findings and conclusions

In this phase, the findings and conclusions are presented in the following order:

- Descriptive statistics pertaining to the background information of respondents and motives of FDI;
- Validity and reliability test;
- Descriptive statistics pertaining to the motives of Chinese FDI in Cameroon;
- Correlation between all variables using Spearman's rank correlation coefficient analysis;
- The mean differences between the motives of Chinese privately owned and state-owned firms in Cameroon using t-test and one-way ANOVA;
- The relationship between privately owned and state-owned firms and the motives for FDI using logistic regression;
- The importance of the economic macro-locational determinants of FDI and the motives for FDI; and
- The challenges faced by Chinese FDI in Cameroon.

- **Descriptive statistics on the background information of respondents and the motives of Chinese FDI.**

  The results of the descriptive analysis in Table 6.5, Chapter 6, showed that both privately owned (90%) and state-owned Chinese firms (10%) participated in the research, with the majority of the respondents constituting privately owned firms. As shown in Table 6.6 in Chapter 6, most of the respondents operated in the retail (29%) and wholesale (20%) sectors followed by the fishing sector (12%). While only a limited number Chinese firms operating in the communication, electrical and water supply, energy, information technology and logistics sectors were poorly represented, making up only 1% each of the total respondents. Furthermore, it was also observed that the majority of firms (n=52) were established in Cameroon during the period 2001 to 2012, followed by (n=25) between 2012 and 2017 and (n=23) were established between 1990 and 2001. Thus it was safe to conclude that both the Chinese "go-global" policy" introduced in 2002 and the 2006 China-Africa summit where

China declared its intention to work with many African countries, could have accounted for subsequent significant inflow of Chinese FDI in Cameroon during that period.

- **Validity and reliability test.**

As mentioned in Chapter 5, Section **5.5.2.3**, and shown in Appendix A, all the items on the questionnaire were adapted from previous research. Thus, the validity of the research instrument was established through the CFA. The factor loadings for the items as shown in Table 6.10 in Chapter 6 were between 0.03 and 0.97, indicating that three factors loaded namely, resource-seeking, market-seeking and strategic asset-seeking – see Chapter 6, Section 6.3.2. This means that the items in these factors measured what they intended to measure. The factor of efficiency-seeking did not load and was eliminated from any further analysis.

The reliability of the items was established by means of Cronbach alpha coefficients. The Cronbach alpha coefficients for the items composing market- and strategic asset-seeking scales showed a relatively high internal consistency of 0.84 and 0.87, respectively. The Cronbach alpha coefficients for the items composing the resource-seeking scale showed a relatively moderate internal consistency of 0.64. It can therefore be concluded that the measuring scale is reliable.

- **Descriptive statistics pertaining to the motives of Chinese FDI in Cameroon.**

Regarding the descriptive statistics pertaining to the motives of state-owned Chinese firms in Cameroon, Table 6.12 in Chapter 6 showed that strategic asset-seeking had the highest mean score, (2.82), followed by resource-seeking, (2.35), and then market-seeking, (2.15). Therefore, based on the mean scores, it can be concluded that the two most important motives for Chinese state-owned FDI in Cameroon are strategic asset-seeking and market-seeking.

Pertaining to the motives of Chinese privately owned firms in Cameroon, Table 6.13 in Chapter 6, shows that market-seeking had the highest mean score, (3.56), followed by resource-seeking, (2.22), and then strategic asset-seeking, (1.72). Thus, based on the mean

values it can be concluded that the two most important motives for privately owned Chinese firms in Cameroon are market-seeking, closely followed by resource-seeking.

- **Correlation between motive variables using Spearman's rank correlation coefficients analysis.**

  As shown in Table 6.15 in Chapter 6, the Spearman's correlation test indicated that the variables for the resource-seeking factor and the variables for the market-seeking factor reported no significant relationship, with a negative high correlation. The variables for the resource-seeking factor with the variables for the strategic asset-seeking factor reported a significant relationship with a weak positive correlation. The variables for the market-seeking factor with the variables for the strategic asset-seeking factor reported a significant relationship, with a negative moderate correlation. The negative correlations and the low and moderate positive correlations implied that the variables were not too similar or associated with each other thus improving the validity of the results. Therefore, the Spearman's correlation indicated that there was little to no similarity between the motive variables.

- **The mean differences between the motives of Chinese privately owned and state-owned firms in Cameroon using t-test and one-way ANOVA.**

  Based on the results of the t-test and one-way ANOVA conducted, the following hypotheses ($\mathbf{H^{2.1}}$, $\mathbf{H^{2.2}}$, $\mathbf{H^{2.3}}$, and $\mathbf{H^{2.4}}$), as stated in Chapter 1, Section 1.2.2, were tested. The findings pertaining to the formulated hypotheses are summarised below.

  - $\mathbf{H^{2.1}}$: There is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in resource-seeking motive.
    Tables 6.16 and 6.17 in Chapter 6 show that there is no mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in resource-seeking. The reported p-values were greater than the significance value of 0.05. Thus $\mathbf{H^{2.1}}$ is not supported.

- **$H^{2.2}$**: There is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in market-seeking motive.

  Tables 6.16 and 6.17 in Chapter 6 indicate that there is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in market-seeking. The reported p-values (p=0.000) were less than the significance level of 0.05. Thus, **$H^{2.2}$** is supported. The mean difference further indicates that privately owned firms are more interested in market-seeking than state-owned firms are.

- **$H^{2.3}$**: There is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in efficiency-seeking motive.

  Efficiency-seeking was eliminated from further analysis. Thus, **$H^{2.3}$** is neither supported or not supported.

- **$H^{2.4}$**: There is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in the strategic asset-seeking motive.

  Tables 6.16 and 6.17 in Chapter 6 indicate that there is a mean difference between privately owned and state-owned Chinese firms in Cameroon and their interest in strategic asset-seeking. The reported p-values (p=0.000) were less than the significance level of 0.05. Thus, **$H^{2.4}$** is supported. The mean difference further indicates that state-owned firms are more interested in the strategic asset-seeking motive than privately owned firms are.

The findings from the t-test and one-way ANOVA are summarised in Table 7.2 below.

Table 7.2: Summary of findings based on t-test and one-way ANOVA.

Hypotheses	Supported/Not supported
$H^{2.1}$ Resource-seeking	Not supported
$H^{2.2}$ Market-seeking	Supported
$H^{2.3}$ Efficiency-seeking	Neither supported nor not supported
$H^{2.4}$ Strategic asset-seeking	Supported

(Source: Researcher's own compilation based on findings from the t-test and one-way ANOVA).

- **The relationship between privately owned and state-owned firms and the motives for FDI using logistic regression.**

  Based on the results of logistic regression conducted, the hypotheses $\mathbf{H^{3.1}}$, $\mathbf{H^{3.2}}$, $\mathbf{H^{3.3}}$ and $\mathbf{H^{3.4}}$, as stated in Chapter 1, Section 1.2.2, were tested. The findings pertaining to the stated hypotheses are summarised below.

  - $\mathbf{H^{3.1}}$: There is a relationship between privately owned and state-owned Chinese firms in Cameroon and a resource-seeking motive.
    Table 6.18 for Model 1, shown in Chapter 6, reported that there is no relationship with privately owned and state-owned Chinese firms and the resource-seeking motive in Cameroon. The logit coefficient was negative and not significant (p=0.697). Thus, $\mathbf{H^{3.1}}$ is not supported. However, the negative relationship with resource-seeking was less likely for privately owned firms than for state-owned firms.

  - $\mathbf{H^{3.2}}$: There is a relationship between privately owned and state-owned Chinese firms in Cameroon and the market-seeking motive.
    Table 6.18 for Models 2 and 4, shown in Chapter 6, shows that there is relationship between privately owned and state-owned Chinese firms in Cameroon with a market seeking motive. The logit coefficient was significant and positive at 1% and 5% level of significance for Models 2 and 4, respectively. Thus, $\mathbf{H^{3.2}}$ is supported. However, the positive relationship with market-seeking was more likely for privately owned firms than for state-owned firms.

  - $\mathbf{H^{3.3}}$: There is a relationship between privately owned and state-owned Chinese firms in Cameroon and efficiency seeking motive.
    Efficiency-seeking was eliminated from further analysis, given that the validity of the variables could not be established. Thus, $\mathbf{H^{2.3}}$ is neither supported or not supported.

  - $\mathbf{H^{3.4}}$: There is a relationship between privately owned and state-owned Chinese firms in Cameroon and a strategic asset-seeking motive.

In Table 6.18, the data for Models 3 and 4, shown in Chapter 6, shows that there is relationship between privately owned and state-owned Chinese firms in Cameroon with a strategic asset seeking motive. The logit coefficient was significant and negative at 1% and 4% levels of significance in Models 3 and 4, respectively. Thus, **$H^{3.4}$** is supported. However, the negative relationship with strategic asset-seeking was less likely for privately owned firms than for state-owned firms. The findings from the third set of hypotheses is summarised in Table 7.3 below.

Table 7.3: Summary of findings from logistic regression.

Hypotheses	**Sign of logit coefficient** **Significant/Not significant**	**Supported/Not supported**
$H^{3.1}$ Resource-seeking	Negative/Not significant	Not supported
$H^{3.2}$ Market-seeking	Positive/Significant	Supported
$H^{3.3}$ Efficiency-seeking	Not investigated	Neither supported nor not supported
$H^{3.4}$ Strategic asset-seeking	Negative/significant	Supported

(**Source:** Researcher's own compilation based on the findings from the logistic regression).

The following conclusions are made from the summary of findings from the logistic regression in Table 7.3 above.

Even though this research found no significant relationship between privately and state-owned Chinese firms in Cameroon and resource-seeking, this motive was less likely for privately owned than for state-owned Chinese firms in Cameroon. In other words, this research found that privately owned Chinese firms in Cameroon are less likely to be interested in resource-seeking than state-owned Chinese firms in Cameroon are.

Furthermore, this research found a significant relationship between privately and state-owned Chinese firms in Cameroon and market-seeking, this motive was found to be more likely for privately owned than state-owned Chinese firms in Cameroon which is in line with findings of Warmerdam and Van Dijk (2013) that market-seeking was a major motive for privately owned Chinese firms in Uganda.

Despite the significant negative relationship between privately owned and state-owned Chinese firms in Cameroon and strategic asset-seeking, this motive was less likely for privately owned firms than for state-owned Chinese firms in Cameroon. In other words, this research found that privately owned Chinese firms are less likely be interested in strategic asset-seeking than state-owned Chinese firms in Cameroon are.

Furthermore, studies by Warmerdam and Van Dijk (2013) and Huang and Renyong (2014) indicate that resource-seeking is a predominant motive for state-owned Chinese firms and studies of Ramasamy, Yeung and Laforet (2012) indicate that strategic asset-seeking is a predominant motive for state-owned Chinese firms. The non-significance of resource-seeking and the significant negative relationship with Chinese firms in Cameroon and strategic asset-seeking can be attributed to the fact that only a limited number of state-owned Chinese firms participated in this research.

- **The importance of the economic macro-locational determinants of FDI and the motives of FDI.**

  Table 6.20 in Chapter 6 indicates that the most important economic determinant of FDI for resource-seeking motives of Chinese FDI in Cameroon was the availability of low cost of labour and access to raw materials not readily available in China. However, the frequencies were very low which is in line with the non-significance of resource-seeking as a motive for Chinese FDI in Cameroon according to the logistic regression. Furthermore, with regard to market-seeking motives of Chinese FDI in Cameroon, the most important economic determinant of FDI was to be closer to important customers in Cameroon, the proximity of Cameroon to large third markets for exports, and the need to develop new markets outside of China. Lastly, regarding the strategic asset-seeking motive, the most important economic determinant of FDI to achieve the motive was the access to particular national research expertise available in Cameroon, followed by the availability of a technical and skilled workforce and the access to particular national technological expertise available in Cameroon. The findings are all in line with the economic determinants relevant for the motives of FDI as indicated in Chapter 3, Figure 3.1, and in Chapter 4, Section 4.2.4.

- **The challenges faced by Chinese FDI in Cameroon.**

  Table 6.29 in Chapter 6, showed that the top four challenges faced by Chinese FDI in Cameroon included corruption (mean=4.61), followed by the ambiguity of the legal system of Cameroon (mean=4.220), difficulty to negotiate with government and privatisation officials (mean =3.78), the high level of taxes (mean =3.66), the volatility of the political environment (mean =2.51), difficulty to find a partner (mean =2.41) and the difficulty to export to potential new markets (mean =2.32). The uncertainty of the economic environment can be said to be the only minor challenge faced by Chinese FDI in Cameroon with a lower mean score of 1.85. A further analysis of the challenges faced by Chinese FDI, according to the data shown in Tables 6.30 and 6.31 in Chapter 6. Suggests that the top four challenges mentioned above (corruption, ambiguity of the legal system, difficulty to negotiate with government and privatisation officials and high levels of taxes), constitute the major challenges faced by privately owned Chinese firms compared state-owned firms. Similarly, all other challenges except for the volatility of the political environment, were of greater concern to Chinese privately owned firms than they were to state-owned firms. The findings of the four main challenges regarded as major challenges for Chinese FDI in Cameroon are in line with the studies of Cabestan (2015) and Nghan (2017) on Cameroon who also identified corruption, lengthy negotiation and administrative procedures, and insecurity as some of the major challenges facing Chinese FDI in Cameroon.

7.4 CONTRIBUTIONS OF THE RESEARCH

The contributions of the current research are summarised in the following order: contributions to the academic and research literature on the topic; contribution to policy development in Cameroon, contribution to individual Chinese firms, and contribution to developing the national economy.

7.4.1 Contribution of the research to academic and research literature

- This research contributes to the body of knowledge on the macro-locational determinants of FDI and motives of FDI by undertaking a thorough theoretical and literature review on the topic. Specifically, the research reviewed the most relevant theories pertaining to the macro-locational determinants and motives of FDI and

identified the most prominent macro-locational determinants of FDI and motives of Chinese FDI.

- The research serves as a test of FDI theories by determining whether the relevant theories macro-locational determinants and motives for FDI are also relevant macro-locational determinants of Chinese FDI.

- The research provides clarity on the controversies regarding the importance of political stability for Chinese FDI, as discussed in Chapter 3, Section 3.2.4.

- The research contributes to the body of knowledge on the macro-locational determinants and motives of Chinese FDI and the challenges faced by Chinese FDI, given the current limited studies available on the macro-locational determinants and motives of Chinese FDI in African countries and, more specifically, in Cameroon, as mentioned in Chapter 2.

7.4.2 Contribution of the research to policy development in Cameroon

- This research contributes to policy development in Cameroon by identifying the significant macro-locational determinants of Chinese FDI which are the main sources of the country's comparative advantage to attract Chinese FDI.

- By identifying the motives of Chinese FDI in Cameroon, this research provides the Cameroonian government with a better understanding of the motives of Chinese FDI in Cameroon and facilitates informed negotiation when making mutually beneficial deals for Cameroon and China.

- Furthermore, by identifying the economic determinants of FDI which are important to achieve the various motives of Chinese FDI in Cameroon, the Cameroonian government would be able to make an informed decision on the type of FDI (resource-market-, efficiency- and strategic asset-seeking FDI) it wishes to attract by developing the economic macro-locational determinants which are relevant for each of the specific motives.

- Lastly, by identifying the challenges faced by Chinese FDI in Cameroon, the research provides the Cameroonian government with a better understanding of the challenges faced by Chinese FDI in Cameroon and so that the government may prioritise and address the requisite policy development in order to minimise the challenges faced by investors.

7.4.3 Contribution of the research to individual Chinese firms

- The research will assist Chinese firms wishing to invest in Cameroon by identifying the macro-locational determinants of FDI to decide whether Cameroon is a potentially attractive location for investment. In particular, there are pointers for both private-owned and state-owned Chinese firms. In addition, the research highlights some of the challenges that Chinese firms wishing to invest in Cameroon may encounter. The research also identifies the relevant essential factors to consider to ensure successful achievement of the motives for investing in Cameroon by identifying the relevant economic macro-locational determinants of FDI.

7.4.4 Contribution of the research to developing economies

- This research provides in-depth insights on the macro-locational determinants and motives of Chinese FDI thereby filling the previously mentioned existing gap in the current body of knowledge on the topic. It also provides an indication of some of the most important economic determinants for achieving each of the specific motives of Chinese firms.

7.5 RECOMMENDATIONS TO THE CAMEROONIAN GOVERNMENT

To meet the final objective of the research study, the following recommendations are made based on the findings of the research:

- To optimise the country's chances of attracting more Chinese FDI, the researcher recommends that the Cameroonian government allocates resources to the variables

identified as the significant macro-locational determinants of Chinese FDI in Cameroon.

- Considering the finding of the research in terms of the macro-locational determinants of Chinese FDI combined with Cameroon's aims of pursuing ongoing engagement with the Chinese government and attracting increased Chinese FDI. The Cameroonian government should take steps to reduce political instability, especially the violence and strike actions in the northern and south western regions of the country as political instability seriously undermines the prospects of Chinese FDI in Cameroon. Measures to address political instability includes negotiations and peace talks with the various representative leaders from the English and the French regions. Furthermore, equal development opportunities and a decentralised system of government is required to eliminate favouritism and oppression from the French majority. In addition, consistent military surveillance and control at the Northern borders of Cameroon is required to limit and prevent terrorist attacks by Boko Haram.

- Furthermore, given that a depreciation of the real effective exchange rate positively influences the stock of Chinese FDI, the Cameroonian government should make efforts to ensure a stable depreciated exchange rate. This can be achieved by constantly monitoring the exchange rate through the central bank, Banque des Etats de l'Afrique Centrale (BEAC) to ensure a favourable depreciated exchange rate is maintained.

- Given the importance of Cameroon's market size as a macro-locational determinant of Chinese FDI and that market-seeking is a major motive for especially for privately owned Chinese FDI in Cameroon, it is important for the Cameroonian government to take measures to organise and develop its markets to attract more Chinese FDI. This can be achieved through expansion of Cameroon's current market and providing good infrastructure in these markets, which in turn, improves accessibility into these markets and attracts most business. Furthermore, the Cameroonian government should reduce bureaucracy and procedural bottlenecks in establishing Chinese firms in the country, by reviewing their procedures and requirements and facilitating negotiations with Chinese firms. The afore-mentioned measures will assist in reducing negotiation times and ensure timeous feedback especially to privately-owned Chinese firms. In addition,

the Cameroonian local government councils must be properly organised to reduce corruption by clearly outlining the required documents and various taxes to be paid by investing firms.

- Considering the importance of low trade openness to attract Chinese FDI, the Cameroonian government must take measures to ensure a balance between low trade openness and overly stringent trade barriers, by ensuring that the trade barriers put in place by the government are strictly adhered to as required, which involves regularly overseeing the activities at the various ports. This is essential as low trade openness compels firms to take advantage of the benefits to be derived from establishing businesses and investing in Cameroon rather than choosing to simply export to Cameroon. However, if trade openness is too severe, it may limit the country's exports and imports and thus impact negatively on the national income.

- Given the benefits of strategic asset-seeking and the economic determinants identified for achieving strategic asset-seeking motive, the researcher recommends that the Cameroonian government develops the skills of the Cameroonian workforce in order to provide a highly specialised labour force trained to suit the needs of various identified industries to ensure its competitive advantage in attracting strategic asset-seeking FDI. In addition, the Cameroonian government must place more emphasis on negotiating deals with Chinese government which are geared towards knowledge and technology transfer in order to ensure that Cameroon also benefits from the presence of Chinese FDI in Cameroon.

- Regarding the challenges faced by Chinese FDI, it is suggested that the Cameroonian government takes immediate measures to address corruption, by transforming most activities from paper work to a computer-based system. In addition, regular audits and inspections by designated government auditors are suggested to ensure efficient use of funds. Furthermore, the Cameroonian government should reform its tax system by reducing taxes to attract the establishment of Chinese firms and to provide ready access from Cameroon to potential markets for exports and thereby increase its exports.

7.6 LIMITATIONS OF THE RESEARCH AND AVENUES FOR FUTURE RESEARCH

- As mentioned in Chapter 5, the application of convenience sampling in this research study and a sample size of 100 Chinese firms led to sample biases and sample errors, respectively. This implies that the sample is not a true representation of the actual population and the findings of the research cannot be generalised. It is therefore recommended that a probability sampling technique, such as random sampling, and a larger sample size and a wider representation of all the sectors in which Chinese firms operate should be employed to provide more accurate findings, which can be generalised.

- The low factor loading for some of the motive of FDI items, can be attributed to the fact that the sample size may have been insufficient to run a CFA. In addition, the researcher contacted the previous author from whom the item on the questionnaires were adapted to obtain the previous factor loading of the items of the questionnaire. However, the previous researcher also indicated that factor loadings were not reported, given that sample size was also very small. However, it was already late to adapt another questionnaire, given that the questionnaires were already distributed. The researcher recommends the use of a larger sample size to confirm the validity of all items in the questionnaire.

- The researcher also recommends that a larger sample with an almost equal number of privately owned and state-owned Chinese firms in Cameroon should be used to further investigate the differences in the motives between privately owned and state-owned Chinese firms in Cameroon.

- The research was unable to investigate the interest in efficiency-seeking motives by Chinese FDI in Cameroon given that the validity of the items could not be established as only two items were deemed relevant to investigate efficiency-seeking. The researcher therefore recommends that the interest in efficiency-seeking motive by Chinese FDI in Cameroon should be further investigated.

- Furthermore, based on the limitations of quantitative research as discussed in Chapter 5, it is recommended that a qualitative approach should be adopted to provide a more in-depth understanding of the motives of Chinese FDI in Cameroon.

- With regard to the macro-locational determinants of FDI, the findings of the multiple OLS regressions could be improved upon by extending the period of analysis, improving the quality of the data, and by considering other variables.

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APPENDIX A
(QUESTIONNAIRE)

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INFORMED CONSENT FORM
知情同意书

Department of Management

管理系

Research Project Title: 研究项目名称	**MACRO-LOCATIONAL DETERMINANTS AND MOTIVES OF CHINESE FOREIGN DIRECT INVESTMENT IN CAMEROON** **中国对喀麦隆外商直接投资的宏观区位决定因素及动机**
Principal Investigator: 首席研究员	**Professor Lynette Louw** **Lynette Louw教授**
Student: **学生**	**Quintabella Andangnui**

Dear Participant,

亲爱的受访者：

You are invited to participate in a research study entitled **'Macro-Locational determinants and the motives of Chinese Foreign Direct Investment (FDI) in Cameroon.'** The aim of this Phase of the research study is to identify the motives of Chinese FDI in Cameroon and the challenges faced by Chinese FDI in Cameroon. The motives of FDI refers to the main objective for investing in another country. It is anticipated that this research will identify the motives of Chinese FDI in Cameroon and provide an understanding of the challenges faced by Chinese FDI in Cameroon.

您将被邀请参加一项题为《中国对喀麦隆直接投资的宏观区位决定因素及动机》的研究。本研究阶段的目的是确定中国在喀麦隆的外商直接投资的动机及其所面临的挑战。外商直接投资的动机是指在另一个国家投资的主要目的。预计这项研究将确定中国

在喀麦隆的外商直接投资的动机，并了解中国在喀麦隆的外商直接投资所面临的挑战。

In this second phase of collecting data, data will be collected using a questionnaire on the motives and challenges of Chinese FDI from Chinese firms in Cameroon. The questionnaires will be distributed by a contact person in Cameroon and the owner of the firm or designated persons will be required to complete the research questionnaire. The contact person in Cameroon will deliver a hardcopy of the questionnaire to your office and will either wait while you complete the questionnaire or return to collect the questionnaire depending on your agreement.

在收集数据的第二阶段，我们将使用关于中资企业对喀麦隆外商直接投资的动机和挑战的问卷调查来收集数据。 问卷将由喀麦隆的一位联系人分发，公司的所有者或指定人员将被要求填写研究问卷。 喀麦隆的联系人会将调查问卷的纸质版送往您的办公室，并会在现场等您填写完毕，或者根据您的意愿在您填写完毕后再来收取调查问卷。

Please respond to the statements in the attached questionnaire based on your own opinions and experiences. The questionnaire should not take longer than 15 minutes to complete. There are no right or wrong answers. All your opinions are important. The questionnaire is divided into three sections:

请根据您自己的观点和经验回答所附问卷中的问题。问卷应在15分钟内完成。没有正确或错误的答案。您的所有意见都很重要。问卷分为三个部分：

Section one – Background information about the firm

第一部分–公司的背景信息

Section two – Motives for Chinese FDI in Cameroon

第二部分–中国在喀麦隆的外商直接投资的动机

Section three– Understanding the challenges of Chinese FDI in Cameroon

第三部分–了解中国在喀麦隆的外商直接投资所面临的挑战

Please note that your participation in this survey is voluntary, completely anonymous and no confidential information is required. All information will be used for research purposes. Should you require feedback from this research study, please inform the contact person in Cameroon. A web link to the thesis after the research has been completed, will be provided to the contact person, who will then provide the link to the thesis to your firm for internal use. Unfortunately the final thesis will only be in English. However, a report on the main findings of this phase of the research study will be made available in Mandarin, upon your request. Please complete the informed consent form prior to completing the research questionnaire.

请注意，您参与此调查是自愿的，且完全是匿名的，不需要任何保密信息。 所有信息将用于研究。 如果您需要本研究的反馈信息，请告知喀麦隆的联系人。 研究完成后，

联络人**将会得到**论文**的网**络链接，该联系人将向您的公司提供论文链接供内部使用。

遗憾**的是，最**终的论文只**有英**语**版本。 但是，根据您的要求，我**们会**提供有关本研究**阶段主要发现的**中文**报告。 **在填写研究**问卷之前，请先填写知情同意书。

Participation Information **参与信息**
• I understand the purpose of the research study and my involvement in it • **我理解研究的目的以及我与此研究的关系** • I understand the risks of participating in this research study • **我理解参加**这项研究的风险 • I understand the benefits of participating in this research study • **我理解参加**这项研究的好处 • I understand that I may withdraw from the research study at any stage without any penalty • **我理解我可以在任何**阶段退出研究而不会受到任何处罚 • I understand that participation in this study is done on a voluntary basis • **我理解参加本**项研究是自愿的。 • I understand that while information gained during the study may be published, I will not be identified and my personal results will remain confidential • **我理解**，虽然研究期间获得的信息可能会公布，但不**能通**过结果确认我的身份，**而且我的个人**结果将保密 • I understand that I will receive no payment for participating in this study • **我明白我不会因**为参加这项研究而得到任何报酬

Information Explanation **信息说明**
The above information was explained to me by: _____ **以上信息已由**_____**向我解**释
The above information was explained to me in: □English**英**语 □French**法**语 □Mandarin**普通**话 **以上信息是用**_____**向我解**释的 and I am in command of this language **且我熟**练**掌握**这门语言 **OR**, it was comprehensibly translated to me by: _____ **或者，由**_____为**我准确翻**译

Voluntary Consent **自愿同意**		
I hereby voluntarily consent to participate in the above-mentioned research. **我在此自愿同意参加上述研究。**		
Signature: 签名**：**	**OR**, right hand thumb print **或，右手大拇指印** Witness signature: 见证人签名：	Date: / / **日期**：

Investigator Declaration **调查人员声明**	
I, _____, declare that I have explained all the participant information to the participant and have truthfully answered all questions ask me by the participant. **我声明我已**经向参与调查**者解**释了所有**与参与**调查**者相关的信息，并如**实回答了参与调查**者提出的所有**问题。	
Signature: 签名**：**	Date: / / **日期**：

RESEARCH QUESTIONNAIRE

调查问卷

SECTION ONE: BACKGROUND INFORMATION ABOUT THE FIRM

第一部分–公司的背景信息

Please indicate the legal identity of your firm by selecting one option below.

请在下面选择一个选项，以表明贵公司的法律身份。

Legal identity of the firm State owned ☐ privately owned ☐

Listed on Chinese stock exchange ☐

公司的法律身份 国有 私有☐ ☐

在中国证券交易所上市 ☐

Please indicate in which year your firm was established in Cameroon by selecting one option below.

请选择以下选项，以指明贵公司在喀麦隆成立的年份。

In what year was the firm established in Cameroon 2017-2019☐ 2012-2017 ☐

贵公司于哪一年在喀麦隆成立

2001-2012 ☐ 1990-2001 ☐

1980-1990☐ Before 1980☐

Please indicate in how many other countries your firm operates in.

请指明贵公司除喀麦隆外，还在其他哪些国家/地区运营。

_____

Please indicate how many employees are employed by your firm.

请指明贵公司雇用了多少名员工。

_____

Please indicate the industry your firm is mainly active in by selecting one option below.

请选择以下一个选项，以指明贵公司主要从事的行业。

☐ Agriculture, Hunting and Forestry农业、狩猎和林业

☐ Construction建筑业

☐ Fishing Wholesale and Retail Trade渔业批发和零售贸易

☐ Oil, Mining and Quarrying石油、采矿和采石场

☐ Hotels and Restaurants酒店和餐饮

☐ Manufacturing制造业

☐ Transport, Storage运输、储存

☐ Communication通讯

☐ Electricity, Gas and water supply电力、煤气和水供应

☐ Financial Services金融业

☐ Education教育

☐ Real Estate and Renting房地产与租赁

☐ Business Activities商务活动

☐ Community and social services社区和社会服务

☐ Personal Service Activities个人服务活动

☐ Health and Social Work卫生与社会工作

☐ Public Administration and Defence公共行政与国防

☐ Other, please specify below;其他，请在下方指明

_____

_____

SECTION TWO: MOTIVES FOR CHINESE FDI IN CAMEROON

第二部分–中国在喀麦隆的外商直接投资的动机

This section requires you to consider the current business of your firm and the motives that influenced your firm's decision to locate in Cameroon. The motives refers to the main objective for investing in Cameroon. In your opinion, please indicate the importance of the following statements on a continuum of 1 = Not important and 5 = Very important.

本部分要求您考虑公司的当前业务以及影响公司决定在喀麦隆选址的动机。 动机是指在喀麦隆投资的主要目的。 在您看来，请以1代表不重要和5代表非常重要的连续区间指明以下陈述的重要性。

	MOTIVES FOR FDI IN CAMEROON **在喀麦隆的外商直接投资的动机**	Not important ⟷ Very important 不重要 非常重要				
1	Availability of low cost labour in Cameroon **喀麦隆低成本**劳动力的可用性	1	2	3	4	5
2	Availability of technical and skilled workforce **技**术和熟练劳动力的可用性	1	2	3	4	5
3	Availability of low cost land, compared to other countries **与其他国家相比，可**获得廉价土地	1	2	3	4	5
4	Proximity of Cameroon to large, third markets for exports **喀麦隆靠近第三大出口市**场	1	2	3	4	5
5	Ease of exporting to the neighbouring countries from Cameroon's location **易于从喀麦隆向**邻国出口	1	2	3	4	5
6	Cameroon provides a good base for further investment in West and Central Africa **喀麦隆**为在西非和中非进一步投资提供了良好的基础	1	2	3	4	5
7	To develop new markets outside of China through direct investment **通**过直接投资开发中国以外的新市场	1	2	3	4	5
8	To obtain access to raw materials not readily available in China 获取中国不易获得的原材料	1	2	3	4	5
9	To be closer to your Cameroonian suppliers **更接近喀麦隆供**应商	1	2	3	4	5
10	To collect information and gain knowledge about African markets **收集有关非洲市**场的信息和知识	1	2	3	4	5
11	To be closer to your important customers in Cameroon **更接近喀麦隆的重要客**户	1	2	3	4	5
12	To gain better access to new management know-how and ideas	1	2	3	4	5

	更好地获取新的管理知识和想法					
13	To benefit from lower production costs in Cameroon compared to China 从喀麦隆较中国低的生产成本中获益	1	2	3	4	5
14	To defend existing market share in the Cameroon market by investing locally 通过投资本地市场来保护喀麦隆市场的现有市场份额	1	2	3	4	5
15	To support export activities in Cameroon 支持喀麦隆的出口活动	1	2	3	4	5
16	To improve the technological ability of the firm 提高企业的技术能力	1	2	3	4	5
17	To use local-specific creative assets (e.g. local market knowledge, original technology) 使用当地特定的创意资产（如当地市场知识、原有技术）	1	2	3	4	5
18	To access particular national research expertise available in Cameroon 获取喀麦隆特定的国家研究专业知识	1	2	3	4	5
19	To access particular national technological expertise available in Cameroon 获取喀麦隆特定的国家技术专业知识					
20	To purchase a known Cameroonian brand 购买喀麦隆知名品牌	1	2	3	4	5

If there are any other important motives that influenced your firm's decision to invest in Cameroon, not listed above, please state and explain these below.

如果还有上面没有列出其他影响贵公司在喀麦隆投资决定的重要动机，请在下面陈述并说明。

_____

_____

_____

SECTION THREE: UNDERSTANDING THE CHALLENGES OF CHINESE FDI IN CAMEROON

第三部分–了解中国在喀麦隆的外商直接投资所面临的挑战

This section requires you to consider the challenges that negatively affected the ability of your firm to develop its business in Cameroon. In your opinion, please indicate your level of agreement or disagreement, with each of the following statements (1 = strongly disagree to 5 = strongly agree).

本节**需要您考**虑对贵公司在喀麦隆发展业务的能力产生负面影响的挑战。在您看来，请指出您对**以下每一**项陈述的赞同**或不**赞同**程度**（1**代表非常不**赞同，5**代表非常**赞同）。

	THE CHALLENGES OF CHINESE FDI IN CAMEROON **中国在喀麦隆的外商直接投**资所面临的挑战	Strongly disagree ⟷ Strongly agree **非常不**赞同 **非常**赞同				
1	High levels of corruption **腐**败程度高	1	2	3	4	5
2	The political environment is too volatile **政治**环境**非常不**稳定	1	2	3	4	5
3	The legal system is too ambiguous **法律制度非常含糊不清**	1	2	3	4	5
4	The economic environment is too uncertain 经济环境**非常不确定**	1	2	3	4	5
5	Difficult to negotiate with government and/or privatisation authorities **很**难**与政府和/或私有化当局**谈判	1	2	3	4	5
6	Difficult to exporting to potential new markets **很**难**出口到潜在的新市**场	1	2	3	4	5
7	High levels of tax **高税率**	1	2	3	4	5
8	Difficult to find a suitable partner	1	2	3	4	5

	很难找到适合的合作伙伴					

If there are any other important challenges that have negatively affected the ability of your firm to develop its business in Cameroon, that are not listed above, please state and explain these below.

如果还有上面没有列出的任何其他对贵公司在喀麦隆发展业务的能力有不利影响的重要挑战，请在下面陈述并说明。

_____
_____
_____
_____
_____
_____
_____
_____

THANK YOU VERY MUCH FOR YOUR PARTICIPATION!

非常感谢您的参

APPENDIX B
(REGRESSION/MODEL ESTIMATIONS)

BASE MODEL

Dependent Variable: FDI
Method: Least Squares
Date: 09/01/19 Time: 11:54
Sample: 2003Q1 2017Q4
Included observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.032838	0.011783	2.786925	0.0075
DISCRATE	0.000155	0.000395	0.392839	0.6961
ELECTRICITY	0.000117	0.000171	0.687259	0.4952
FUEL_EXPT	-1.45E-06	5.63E-06	-0.258469	0.7971
GCI	-0.000233	0.001065	-0.218384	0.8280
HDI	-0.128032	0.028156	-4.547212	0.0000
INFLATION	-0.000179	0.000135	-1.327425	0.1905
POL_RISK	-0.004789	0.002050	-2.335954	0.0236
REALGDP	1.41E-12	1.83E-13	7.727749	0.0000
REER	-4.30E-05	4.83E-05	-0.891198	0.3772
TRADEOPEN	-0.014949	0.010261	-1.456846	0.1515

R-squared	0.968531	Mean dependent var	0.003435
Adjusted R-squared	0.962109	S.D. dependent var	0.003785
S.E. of regression	0.000737	Akaike info criterion	-11.42465
Sum squared resid	2.66E-05	Schwarz criterion	-11.04069
Log likelihood	353.7395	Hannan-Quinn criter.	-11.27446
F-statistic	150.8083	Durbin-Watson stat	0.431378
Prob(F-statistic)	0.000000		

All without fuel_expt

Dependent Variable: FDI
Method: Least Squares
Date: 09/01/19 Time: 11:56
Sample: 2003Q1 2017Q4
Included observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.032415	0.011559	2.804226	0.0072
DISCRATE	0.000129	0.000378	0.341365	0.7343
ELECTRICITY	0.000121	0.000169	0.716852	0.4768
GCI	-0.000230	0.001055	-0.218145	0.8282
HDI	-0.127155	0.027689	-4.592277	0.0000
INFLATION	-0.000176	0.000133	-1.322259	0.1921
POL_RISK	-0.004765	0.002029	-2.348495	0.0228
REALGDP	1.40E-12	1.74E-13	8.030461	0.0000
REER	-4.03E-05	4.67E-05	-0.863525	0.3920
TRADEOPEN	-0.016323	0.008694	-1.877537	0.0663

R-squared	0.968488	Mean dependent var	0.003435
Adjusted R-squared	0.962816	S.D. dependent var	0.003785
S.E. of regression	0.000730	Akaike info criterion	-11.45662
Sum squared resid	2.66E-05	Schwarz criterion	-11.10756
Log likelihood	353.6987	Hannan-Quinn criter.	-11.32009
F-statistic	170.7442	Durbin-Watson stat	0.434345
Prob(F-statistic)	0.000000		

MODEL 1: WITHOUT FUEL EXP AND ELECTRICITY

Dependent Variable: FDI
Method: Least Squares
Date: 09/01/19 Time: 11:57
Sample: 2003Q1 2017Q4
Included observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.034735	0.011044	3.145017	0.0028
DISCRATE	8.78E-05	0.000372	0.236067	0.8143
GCI	-5.17E-05	0.001021	-0.050692	0.9598
HDI	-0.122070	0.026637	-4.582727	0.0000
INFLATION	-0.000173	0.000132	-1.307006	0.1971

POL_RISK	-0.004719	0.002018	-2.338196	0.0233
REALGDP	1.46E-12	1.48E-13	9.885247	0.0000
REER	-4.68E-05	4.56E-05	-1.026399	0.3095
TRADEOPEN	-0.017472	0.008504	-2.054560	0.0451

R-squared	0.968164	Mean dependent var	0.003435
Adjusted R-squared	0.963170	S.D. dependent var	0.003785
S.E. of regression	0.000726	Akaike info criterion	-11.47973
Sum squared resid	2.69E-05	Schwarz criterion	-11.16558
Log likelihood	353.3919	Hannan-Quinn criter.	-11.35685
F-statistic	193.8709	Durbin-Watson stat	0.426658
Prob(F-statistic)	0.000000		

MODEL 2: WITHOUT FUEL EXP AND ELECTRICITY AND GCI

Dependent Variable: FDI
Method: Least Squares
Date: 09/01/19 Time: 12:00
Sample: 2003Q1 2017Q4
Included observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.035048	0.009061	3.868176	0.0003
DISCRATE	8.73E-05	0.000368	0.237078	0.8135
HDI	-0.122955	0.019935	-6.167844	0.0000
INFLATION	-0.000173	0.000131	-1.321722	0.1920
POL_RISK	-0.004762	0.001813	-2.626913	0.0113
REALGDP	1.47E-12	1.37E-13	10.66148	0.0000
REER	-4.75E-05	4.27E-05	-1.112339	0.2711
TRADEOPEN	-0.017551	0.008280	-2.119731	0.0388

R-squared	0.968163	Mean dependent var	0.003435
Adjusted R-squared	0.963877	S.D. dependent var	0.003785
S.E. of regression	0.000719	Akaike info criterion	-11.51301
Sum squared resid	2.69E-05	Schwarz criterion	-11.23377
Log likelihood	353.3904	Hannan-Quinn criter.	-11.40379
F-statistic	225.8994	Durbin-Watson stat	0.428620
Prob(F-statistic)	0.000000		

MODEL 3: WITHOUT FUEL EXP AND ELECTRICITY AND GCI AND HDI (SOME "WRONG SIGN")

Dependent Variable: FDI
Method: Least Squares
Date: 09/01/19 Time: 12:02
Sample: 2003Q1 2017Q4
Included observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.002966	0.008657	-0.342593	0.7333
DISCRATE	0.001075	0.000432	2.486412	0.0161
INFLATION	-0.000163	0.000171	-0.952620	0.3451
POL_RISK	-0.005904	0.002350	-2.511905	0.0151
REALGDP	8.21E-13	1.16E-13	7.050959	0.0000
REER	-0.000132	5.28E-05	-2.498501	0.0156
TRADEOPEN	-0.042269	0.009443	-4.476027	0.0000

R-squared	0.944871	Mean dependent var	0.003435
Adjusted R-squared	0.938630	S.D. dependent var	0.003785
S.E. of regression	0.000938	Akaike info criterion	-10.99731
Sum squared resid	4.66E-05	Schwarz criterion	-10.75297
Log likelihood	336.9193	Hannan-Quinn criter.	-10.90174
F-statistic	151.3963	Durbin-Watson stat	0.520462
Prob(F-statistic)	0.000000		

APPENDIX C

(ENGLE-GRANGER COINTEGRATION TEST FOR MODELS 2 AND 3)

MODEL 2: UNIT ROOT TEST ON THE RESIDUALS FOR THE ENGLE-GRANGER COINTEGRATION TEST

Null Hypothesis: RESID02 has a unit root
Exogenous: None
Lag Length: 3 (Automatic - based on SIC, maxlag=10)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.470008	0.0000
Test critical values:	1% level	-2.606911	
	5% level	-1.946764	
	10% level	-1.613062	

*MacKinnon (1996) one-sided p-values.

MODEL 3: UNIT ROOT TEST ON THE RESIDUALS FOR THE ENGLE-GRANGER COINTEGRATION TEST

Null Hypothesis: RESID03 has a unit root
Exogenous: None
Lag Length: 0 (Automatic - based on SIC, maxlag=10)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.200189	0.0018
Test critical values:	1% level	-2.604746	
	5% level	-1.946447	
	10% level	-1.613238	

*MacKinnon (1996) one-sided p-values.

APPENDIX D
(ERROR CORRECTION MODEL FOR MODELS 2 AND 3)

MODEL 2: ERROR CORRECTION MODEL

Dependent Variable: D(FDI)
Method: Least Squares
Date: 02/11/20 Time: 16:52
Sample (adjusted): 2003Q2 2017Q4
Included observations: 59 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.11E-05	0.000172	-0.297424	0.7674
D(DISCRATE)	7.25E-05	0.000277	0.262373	0.7941
D(HDI)	-0.080523	0.062517	-1.288018	0.2037
D(INFLATION)	-2.27E-05	5.11E-05	-0.443717	0.6592
D(POL_RISK)	-0.000409	0.003636	-0.112393	0.9110
D(REALGDP)	1.33E-12	4.89E-13	2.713239	0.0091
D(REER)	1.19E-05	2.94E-05	0.403933	0.6880
D(TRADEOPEN)	-0.001736	0.004548	-0.381833	0.7042
RESID02(-1)	-0.205899	0.078680	-2.616919	0.0117

R-squared	0.259882	Mean dependent var	0.000192
Adjusted R-squared	0.141463	S.D. dependent var	0.000389
S.E. of regression	0.000361	Akaike info criterion	-12.87838
Sum squared resid	6.50E-06	Schwarz criterion	-12.56147
Log likelihood	388.9122	Hannan-Quinn criter.	-12.75467
F-statistic	2.194600	Durbin-Watson stat	0.734349
Prob(F-statistic)	0.043638		

MODEL 3: ERROR CORRECTION MODEL FOR MODEL

Dependent Variable: D(FDI)
Method: Least Squares
Date: 02/11/20 Time: 16:55
Sample (adjusted): 2003Q2 2017Q4
Included observations: 59 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.000116	0.000159	-0.733350	0.4667
D(DISCRATE)	0.000130	0.000299	0.434693	0.6656
D(INFLATION)	-2.40E-05	5.29E-05	-0.453787	0.6519
D(POL_RISK)	0.001434	0.003666	0.391323	0.6972
D(REALGDP)	1.08E-12	5.20E-13	2.086996	0.0419
D(REER)	4.19E-06	3.04E-05	0.137589	0.8911
D(TRADEOPEN)	-0.002749	0.004760	-0.577638	0.5661

RESID03(-1)	-0.122842	0.063348	-1.939148	0.0580

R-squared	0.193447	Mean dependent var	0.000192
Adjusted R-squared	0.082744	S.D. dependent var	0.000389
S.E. of regression	0.000373	Akaike info criterion	-12.82632
Sum squared resid	7.08E-06	Schwarz criterion	-12.54462
Log likelihood	386.3764	Hannan-Quinn criter.	-12.71635
F-statistic	1.747437	Durbin-Watson stat	0.703019
Prob(F-statistic)	0.118834		

APPENDIX E

(ETHICS APPROVAL)

Human Ethics subcommittee
Rhodes University Ethical Standards Committee
PO Box 94, Grahamstown, 6140, South Africa
t: +27 (0) 46 603 8055
f: +27 (0) 46 603 8822
e: ethics-committee@ru.ac.za

www.ru.ac.za/research/research/ethics
NHREC Registration no. REC-241114-045

31 July 2019

Prof. Lynette Louw

Review

Referenc

e: 2019-

0709-766

Email:

l.louw@r

u.ac.za

Dear Prof. Lynette Louw

Re: Macro-Locational determinants and Motives of Chinese

Foreign Direct Investment (FDI) in Cameroon Principal

Investigator: Prof. Lynette Louw

Collaborators: Ms. Quintabella Andangnui

This letter confirms that the above research proposal has been reviewed by the Rhodes University Ethical Standards Committee (RUESC) – Human Ethics (HE) sub- committee and **PROVISIONALLY APPROVED PENDING GATEKEEPER PERMISSION**.

Gatekeeper permission is required from:

Various Chinese Operated Firms

Once the Gatekeeper permission letter/s have been received please forward to the Ethics Coordinator, (s.manqele@ru.ac.za) in order to finalize your ethics approval.

Sincerely

Prof Joanna Dames

Chair: Human Ethics sub-committee, RUESC- HE

RESEARCH ETHICS APPROVAL EMAIL FROM RUESC CHAIR, PROFESSOR JO DAMES

The candidate changed data gathering in the second phase of her study to making use of a questionnaire instead of conducting interviews.

Lynette Louw

Supervisor

From: Joanna Dames <j.dames@ru.ac.za>
Sent: Monday, 28 October 2019 18:44
To: Lynette Louw <l.louw@ru.ac.za>; Siyanda Manqele <s.manqele@ru.ac.za>
Subject: Re: 2019-0709-766 - Amendment request - APPROVED

Dear Lynette

Thank you for the revised documents. I approve the amendments and will table this for noting at the next meeting.

Kind Regards

Jo

RUESC HE Chair