

# ABSTRACT

China is an “attractor” of Foreign Direct Investment (FDI). Its FDI inflows increased steadily even though the world FDI inflows have decreased considerably in recent years. Why these FDI choose china as a destination? How do the domestic wage level, GDP and labor quality play the roles in attracting FDI? The purpose of my thesis is trying to find answers of these questions. I use China’s provincial panel data to examine the relationship between FDI inflows and those variables (GDP, Per Capita GDP, Wage level and Human Capital) with fixed effects regression model. The analysis is divided into two parts. First, I test the performance of the variables on national level. The results show that the GDP and Per Capita GDP have a significant and positive effect on FDI; the wage level has a significant and negative effect on FDI. Second, I group China’s provinces into three regions, East region, Central region, and West region and test the performance of those variables in each region respectively. The results show that Per Capita GDP has significant positive effect and Wage has significant negative effect only in the eastern region, where FDI is concentrated. Form the findings of the study, we can conclude that there are many factors affecting FDI inflows in China but huge domestic market, high-level integration with the global economy, and low labor cost are the major determinants.