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When Repressed Civil Society Attracts Foreign Investors: The Dual Dimensions of Chinese Foreign Direct Investment in Southeast Asia

Lin SAE-PHOO
Ph.D. Candidate, Coral Bell School of Asia Pacific Affairs, The Australian National University, Canberra
E-Mail: u7824220@anu.edu.au
Orcid: 0009-0008-6333-2367

Shaka Y.J. LI
Ph.D. Student, Department of Political Science, Florida State University, Florida
E-Mail: yl24m@fsu.edu
Orcid: 0000-0001-8828-1254

Raras CAHYAFITRI
Lecturer, Department of International Relations, Universitas Gadjah Mada, Yogyakarta
E-Mail: raras_cf@ugm.ac.id
Orcid: 0000-0003-1478-8516

Abstract

What is the relationship between Chinese foreign direct investment (FDI) and human rights in host countries? As China has emerged as one of the world's leading international investors, examining the determinants of FDI inflows from a non-democratic and non-Western power offers valuable insights into a central theoretical puzzle: Does repression attract FDI? This paper engages with theories on FDI and human rights, focusing on the interplay between repression, political stability, and natural resource rents and how these factors shape the investment preferences of foreign actors. The central hypotheses—stability maintenance and extractive repression—propose that countries exhibiting higher political stability and greater reliance on natural resource rents are more likely to attract Chinese outward FDI. Recipient governments may be incentivized to employ coercive measures to foster a stable investment climate. Using regression analysis covering the period from 2003 to 2023, alongside two country case studies—Cambodia and Indonesia—this study investigates the conditions under which human rights levels in host countries are associated with Chinese FDI inflows. Most importantly, the findings reveal two distinct dimensions of Chinese FDI, illustrating how it can be drawn to repressive recipient countries in rentier and non-rentier state contexts. By shedding light on the dynamics of Chinese investment in Southeast Asia, this paper contributes to the broader literature on China's global engagement and FDI.

Keywords: Chinese FDI, civil society repression, political stability, natural resource rents, Southeast Asia

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Introduction

Where is Chinese outward foreign direct investment (FDI) directed, and what factors in recipient countries attract FDI from China? In International Political Economy (IPE) studies, there is ongoing debate regarding the relationship between FDI and human rights in host countries (Spar 1999; Blanton and Blanton 2006; 2007a; 2009; Garriga 2016). For example, studies examining FDI from Western or Global North countries suggest that human rights protection positively influences FDI inflows (Blanton and Apodaca 2007; Blanton and Blanton 2007a; Barry et al. 2013; Garriga 2016; Vadlamannati et al. 2018). While previous studies have predominantly focused on democracies as the primary international investors (e.g., Globerman and Shapiro 2003; Blanton and Blanton 2009; Haftel 2010), there remains a need for greater attention to non-democratic countries. For authoritarian investors like China, respect for human rights in host countries may represent a less significant incentive than democratic investors from the West. Recent research further suggests that China is more likely to be drawn to countries with lower levels of human rights performance owing to limited awareness of the international "spotlight" on human rights and corporate social responsibility (CSR) among Chinese state-owned enterprises (SOEs) (Lu and Blanton 2024). However, the conditions under which this trend might be reinforced remain unclear, raising a further question that forms the focus of our study.

Over the past two decades, the People's Republic of China (PRC) has emerged as an influential global actor, assuming diverse roles as a trader, donor, and investor on the international stage (Bader 2014). In particular, following the launch of the Belt and Road Initiative (BRI) in 2013—a large-scale infrastructure development strategy aimed at channeling billions of dollars in investment across regions from Asia to Europe—China's political and economic significance has expanded globally (see Mayer and Zhang 2021), reaching even European countries such as Switzerland (Rios-Morales et al. 2016). Southeast Asia has attracted a substantial share of Chinese FDI as China's neighboring area. It has been the leading destination among major economies for Chinese outward investment since the beginning of the BRI in 2013 (Goh and Liu 2023, see Appendix A for detailed information). According to the PRC government, Chinese FDI flows into Association of Southeast Asian Nations (ASEAN) countries reached USD 25.1 billion in 2023, surpassing flows to other regions such as Africa, Europe, North America, and Latin America, with China also emerging as the leading foreign investor in Southeast Asia (MOFCOM, NBS and SAFE 2024). As a significant share of Chinese FDI in Southeast Asia cannot be fully explained by resource factors alone (Yao et al. 2017), examining additional determinants of China's investment decisions is essential.

China's international economic behavior, including foreign investment decisions, encompasses multiple dynamics driven by financial and political objectives. Empirical research suggests that the Chinese government often prioritizes investment in resource-rich countries, such as those in Africa, to secure economic returns and strategic advantages (see Kolstad and Wiig 2012; Chen et al. 2018; Yao et al. 2017). This finding helps explain why Chinese outward FDI frequently targets countries with a higher risk level, which are often associated with

being natural resource exporters, and this trend is particularly notable for investments from Chinese SOEs (Biglaiser and Lu 2021; 2022; Biglaiser et al. 2024).[1] However, this account overlooks the emerging trend of an increasing number of Chinese firms choosing to invest in non-extractive industries and countries with higher political stability, including in regions such as Africa (Mourao 2018). Thus, this study seeks to investigate this puzzle through our primary research question: What is the relationship between the host country's repression and FDI inflows from China?

In this paper, we examine two dimensions of Chinese outward FDI concerning civil society in host countries: "stability maintenance" and "extractive repression", as both are shaped by the host governments' objective of fostering a more stable investment climate. For the stability-for-investor logic, host governments may seek to minimize political risk from social unrest and armed conflicts to maintain stability and attract Chinese investors. Meanwhile, resource-seeking Chinese FDI, particularly in extractive industries, often targets recipient countries with rentier politico-economic structures, leading to repression of civil society encouraged by foreign investment. This study combines statistical analysis and empirical evidence with a regional focus on Southeast Asia. First, we employ regression analysis with political stability and natural resource rents as moderators to investigate the determinants of Chinese outward FDI at the Southeast Asian level. Second, we examine two country cases in Southeast Asia—Cambodia and Indonesia—which provide empirical evidence illustrating how the mechanisms of stability maintenance and extractive repression operate, respectively, under varying levels of political stability and dependence on resource rents in attracting foreign investment, particularly from China. To sum up, this study seeks to examine the conditions under which human rights practices in host countries are associated with Chinese FDI inflows, and it offers both empirical and theoretical contributions to the broader literature on China's economic presence abroad.

FDI, Human Rights, and Natural Resources

Human Rights as a Determinant of Chinese Outward FDI

In explaining the relationship between FDI and human rights, the discussion in IPE is dominated by two perspectives: the race to the bottom and the climbing to the top (see Mosley and Uno 2007). Early studies argue that the investment behaviors of foreign investors and multinational corporations (MNCs) are driven by the race-to-the-bottom theory, which suggests that governments in developing countries may repress labor rights or relax environmental regulations to attract foreign capital for local economic development (London and Ross 1995). Although the relationship varies across sectors, repressive regimes with poor human rights conditions may attract foreign investors by disregarding labor rights protections,

1 The studies from the FDI literature that this paper engages with primarily use political risk as the main conceptual term, and we retain this terminology when referencing those works. However, we adopt political stability to conceptualize the risks that threaten ruling governance, offering a more theoretically grounded definition in the Hypotheses and Empirical Strategies section.

providing comparative advantages such as low-cost production (Blanton and Blanton 2007b; 2012). Based on this assumption, repressive regimes have strong incentives to attract foreign investors, leveraging cheap labor and low production costs to generate economic gains (Adam and Filippaios 2007).

In contrast, international investors may need to consider factors such as respect for human and labor rights when selecting potential FDI recipient countries (Blanton and Blanton 2006; 2009). Empirical research also supports this perspective, with evidence that investing in countries with poor human rights records risks harming the reputations of companies (Garriga 2016). Additionally, the international market operates with an "audience cost" effect, where countries can be rewarded or punished according to their economic behaviors (Blanton and Apodaca 2007). Building on this theoretical basis, political scientists have identified the "spotlight effect," whereby foreign investors avoid investing in countries with poor human rights records to avoid being shamed by international society, including the United Nations and other international non-governmental organizations (NGOs) (Blanton and Blanton 2007a; Barry et al. 2013; Vadlamannati et al. 2018, see Spar 1998). However, China's emergence as a significant global investor has reintroduced the race-to-the-bottom perspective, with the characteristics of its investment behavior—largely unaffected by the spotlight effect—reflecting the authoritarian nature discussed in the Introduction section.

In recent years, a growing body of scholarship has examined factors related to politics—such as political risks, democratic institutions, and human rights conditions—as key determinants of Chinese outward FDI, frequently uncovering findings that question conventional wisdom. In particular, recent studies indicate that countries with higher political risk and poor institutional quality are generally unfavorable for attracting foreign investors. However, this is not necessarily true for Chinese FDI. Accordingly, Chinese FDI is more likely to flow to countries with unexpectedly better democratic institutions—as these environments tend to provide greater stability for investment (Moon 2019)—given that Chinese firms may have had "negative experiences with autocratic hosts" (Lu and Blanton 2024). However, unlike United States (US) FDI (see Biglaiser et al. 2024a), Chinese investors are drawn to countries with higher political risks and political instability, particularly Chinese SOEs (Biglaiser and Lu 2021; 2022; Biglaiser et al. 2024), which can be explained by China's resource-driven investment behavior.

Chinese FDI: Insights from Natural Resources

Natural resources are a key factor connecting foreign capital to the behavior of local governments in the developing world, particularly in Africa and Latin America (e.g., Asiedu 2006). Grounded in the assumptions of the resource curse (see Ross 2001; Andersen and Ross 2014), rentier state theory (RST) posits that resource-rich countries—especially those reliant on oil and fossil fuels rents—are more inclined to maintain authoritarian rule for two primary reasons (Ross 2001; Smith 2004, see Walker 2023). First, governments in resource-dependent states derive significant revenue from natural resources rather than taxation, weakening the accountability link between the state and its citizens—a phenomenon known as the rentier

effect (Beblawi 1990). Second, political leaders in rentier states often use resource rents to fund coercive institutions and security forces, a dynamic referred to as the repressive effect, enabling them to suppress opposition groups and individuals. Consequently, governments in rentier states are better equipped to repress pro-democracy movements, thereby hindering democratic transitions (Basedau and Lay 2009; Ross 2001).

According to the race-to-the-bottom perspective, resource-seeking FDI is more likely to flow into repressive regimes (Filippaios et al. 2019), as multinational corporations (MNCs) have historically preferred investing in autocracies with weaker human rights (including labor rights) protections (Li and Resnick 2003; Asiedu and Lien 2011). In the case of Chinese FDI, existing research highlights a strong association between China's resource-driven investment strategies and the exploitation of natural resources in host countries (Gonzalez-Vicente 2011). Specifically, the rentier effect in resource-exporting countries can be amplified by Chinese outward FDI due to the relatively weak emphasis on CSR and the absence of a "spotlight effect" on human rights when compared to Western corporations (see Biglaiser and Lu 2021). This dynamic allows repressive practices to persist and even intensify without external constraints. At the same time, the repression effect is reinforced, as revenues from resource exports and resource-driven FDI from China incentivize governments in rentier states to suppress dissent in maintaining non-democratic rule. Theoretically, this dual mechanism strengthens the link between resource dependency and the deterioration of human rights.

In the literature on Chinese FDI, studies suggest that Chinese FDI are more likely to be attracted by multiple factors, including large markets, more trade flows, rich natural resources, and poor institutions (Zhang and Daly 2011; Kolstad and Wiig 2012; Tuman and Shirali 2015; Yao et al. 2017; Buckley et al. 2018). Regarding firm ownership, Chinese state-backed firms tend to invest in countries with more natural resources and risky political environments, whereas, in contrast, market-based factors determine private firms' investment behavior (Ramasamy et al. 2012). These studies indirectly support the empirical observation that Chinese outward FDI is resource-driven and tends to target resource-exporting countries in the Global South. Most importantly, two potential determinants—the stability of the investment climate and the extent to which the host country depends on resource rents—emerge as critical linkages between Chinese FDI and levels of repression in our theoretical framework.

Hypotheses and Empirical Strategies

According to the literature, countries receiving Chinese FDI often exhibit political stability and authoritarian control associated with rentier state structures, reflecting two divergent logics for attracting foreign investment under differing conditions. Hence, we propose three hypothetical concepts—"stability maintenance" and "extractive repression"—to highlight the incentive and capability of recipient countries to interact with civil society to attract FDI, based on the empirical case of Southeast Asian governments and Chinese investors. Yet, before delving into our main hypotheses, the core premise still stems from the relationship between FDI and human rights, which can be articulated as follows:

***H1*:** Countries with higher levels of repression against civil society are more likely to attract greater volumes of Chinese FDI.

Next, as conventional wisdom suggests, an increase in FDI is associated with lower political risk in host countries (Vadlamannati 2012). This assumption holds in countries where foreign investors are private firms, whether from the US or China, as privately owned enterprises (POEs) tend to be more risk-averse in international investments. Empirically, POEs have played an increasingly significant role in Chinese outward investment across various industries in recent years. Notably, following the launch of BRI, a growing share of Chinese FDI in Southeast Asia has been directed toward non-resource and non-energy sectors (Goh and Liu 2023: 45). In this context, mitigating political risks and other threats to stability—such as violent demonstrations and armed conflicts—has become a primary objective for host governments, often involving the use of repressive measures to maintain order and attract foreign investors, including those from China. Thus, our second hypothesis, stability maintenance, is generated.

***H2 (stability maintenance)*:** Countries with higher degrees of repression against civil society, especially those with higher political stability, are more likely to attract greater volumes of Chinese FDI.

Meanwhile, studies on China's international investment suggest a positive correlation between political risk and Chinese FDI (Biglaiser and Lu 2022; Biglaiser et al. 2024), mainly due to the role of SOEs from China in targeting resource-rich countries with lower levels of political stability (e.g., more conflict and social unrest), as discussed in the previous section, which needs to be explained from a different perspective. Hence, *Extractive repression* is proposed to indicate that in countries with higher levels of natural resource rents, governments are inclined to repress civil society organizations (CSOs) to attract foreign investors, who typically neglect or show less respect for human rights protections and CSR. Hence, we argue that host countries, as rentier states, attract Chinese outward FDI not only because of their abundant natural resources but also due to their underlying politico-economic structures. This structure—referred to as the repression effect in RST—enhances the capacity of rentier states to suppress civil society, thereby making them more appealing to foreign investors.

H3 (extractive repression): Countries with higher degrees of repression against civil society, particularly those heavily dependent on natural resource rents, are more likely to attract greater volumes of Chinese FDI.

To test our hypotheses, this study employs regression analysis to investigate the determinants of China's foreign investment behavior, with a regional focus on Southeast Asia,[2] from 2003 to 2023. Unlike most current studies that utilize Chinese FDI data from the China

2 This includes all 11 countries in Southeast Asia: Brunei Darussalam, Myanmar, Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Global Investment Tracker (such as Biglaiser and Lu 2022), which categorizes investments by firm ownership (SOEs and POEs) and sector, this study relies on annual statistical reports, Statistical Bulletin of China's Outward Foreign Direct Investment, published by the Chinese Ministry of Commerce.[3] According to Chinese official reports, FDI data is not consistently disaggregated by firm ownership or sector for every country and year. However, the aggregate format of Chinese FDI remains available for constructing a country-year panel dataset, enabling us to use a consistent source to test the three hypotheses that capture the dual dimensions of the relationship between civil society and Chinese outward FDI.

Dependent Variable

The primary dependent variable in this study, Chinese FDI flows, represents China's outward foreign direct investment from 2003 to 2023, reflecting both the country's accession to the World Trade Organization (WTO) and the availability of the data. According to the Chinese annual statistical reports on Chinese outward FDI, "outward direct investment is an economic activity centered on the control of the operation and management rights of overseas enterprises by domestic investors, reflecting the goal of one economy to realize its lasting interests by investing in another economy." This study focuses on FDI flows rather than stocks, as annual flow fluctuations more accurately capture policy changes or political dynamics within host countries (see Blanton and Blanton 2007a; Lu and Blanton 2024).

Explanatory Variables and Moderating Variables

Our primary explanatory variable (i.e., independent variable) is the level of repression against civil society (*v2csreprss*) extracted from the V-Dem Dataset.[4] The question in the V-Dem codebook states: "Does the government attempt to repress civil society organizations?" Civil society repression is measured on a scale from 0 to 4, where 0 indicates the highest level of repression. Specifically, a score of 0 reflects that "The government violently and actively pursues all real and even some imagined members of CSOs. They seek not only to deter the activity of such groups but to effectively liquidate them" (Bernhard et al. 2017; Pemstein et al. 2024). For a more intuitive interpretation, we rescale the original measure such that higher values indicate greater levels of repression. We also include two moderators to support our arguments. First, political stability is used to capture levels of political risk and is drawn from the World Governance Indicators (WGI) (Kaufmann and Kraay 2024). According to the WGI, political stability is measured on a scale from 0 to 100, where 100 indicates the highest level of stability. Second, we use data on natural resource rents from the World Bank to estimate how much a government relies on revenues from natural resources. This indicator measures natural resource rents as a percentage of GDP per capita.

3 We specifically use FDI statistics released by the Chinese government, rather than data from Western institutions, to underscore the negative dimensions of Chinese FDI on civil society abroad—insights that can be drawn even from China's official sources. The data sources are available on the official website of the Ministry of Commerce of the PRC at https://hzs.mofcom.gov.cn/tjsj/index.html.

4 Replication data for this study can be accessed via the DOI: https://doi.org/10.7910/DVN/UMU2LE.

Control Variables

We control variables that may influence both the explanatory and outcome variables. First, existing research suggests that countries with higher levels of trade openness and democracy are more likely to attract FDI (Liberati 2007; Baccini et al. 2017), and those with greater levels of trade openness are less reliant on repressive measures to quell social unrest (Dean 2022). We control for trade openness and levels of democracy, sourced from the World Development Indicators (WDI) and the indicator *v2x_polyarchy* from V-Dem, respectively. Second, taxation plays a role in influencing both repression and FDI. On the one hand, dictators can strengthen their repressive apparatus through taxation to stay in power (Genschel et al. 2016; Dodlova and Lucas 2021). On the other hand, the decision to invest in a foreign country can be influenced by tax rates, as higher taxes increase business costs for foreign firms. Hence, this study also includes a control for tax revenue levels, with the variable sourced from the Quality of Governance (QoG) dataset.

Another factor that may influence both repression and FDI is corruption. Specifically, corruption may influence the agents responsible for implementing repressive actions, which, in turn, affects the levels of repression (Bohara et al. 2008). Simultaneously, foreign investment can be discouraged by high levels of corruption in host countries (Habib and Zurawicki 2002). Given the role of corruption in shaping inward FDI and repression levels, we control for corruption using data from V-Dem (Coppedge et al. 2024). Lastly, we account for socio-economic variables that may correlate with repression and Chinese FDI: GDP per capita and population, both sourced from the QoG dataset. Databases such as V-Dem, QoG, and the World Bank are frequently used in similar studies, such as civil society research employing country-year panel data (Bernhard et al. 2017). The descriptive statistics table is provided in Appendix B.

Model Specifications

We employ the fixed-effects (FE) regression model that incorporates moderators, robust standard errors, and a lagged independent variable as an autoregressive term, focusing on Southeast Asia. First, including two moderators—political stability and natural resource rents—as interaction terms allow us to test the two hypotheses separately. Second, the FE model accounts for unobserved, time-invariant confounders (e.g., country-specific characteristics). Such unobservable variables (e.g., geographic factors) could influence a country's decision to invest in a specific location, potentially confounding the causal mechanism through which recipients receive Chinese FDI. The panel FE estimator enables isolating the effects of explanatory variables and potential confounders, assuming the absence of unobserved time-varying confounders. This approach has been widely adopted in studies using panel data (e.g., Örsün 2020). Third, given the cross-sectional time-series (i.e., country-year panel) data employed in this research, the dependent variable may be influenced by time-varying factors other than the explanatory variables. To address this issue, we include a lagged independent variable (t-1) to mitigate potential endogeneity inherent in time-series data. Lastly, we anticipate that the hypothetical results will show statistical significance only in the FE model rather than

the random effects (RE) model. This is because the RE model assumes that unobserved, unit-specific effects are uncorrelated with the independent variables. In contrast, our hypotheses are based on within-country changes, such as shifts in domestic political and economic conditions, which the FE model more accurately captures. Our model specifications are demonstrated as follows:

$$Chinese\ FDI_{it} = \beta_0 + \beta_1 Repression_{it-1} * Political\ Stability_{it} + \alpha\Phi + u_{it} \quad (1)$$

$$Chinese\ FDI_{it} = \delta_0 + \delta_1 Repression_{it-1} * Natural\ Resource\ Rents_{it} + \theta\omega + \nu_{it} \quad (2)$$

For equations (1) and (2), $Chinese\ FDI_{it}$ is the dependent variable, representing the levels of Chinese FDI inflow in country i in year t. Also, $Repression_{it-1}$ indicates the repression levels in country i during the previous year (t-1). The key difference between these equations lies in the moderators, which are denoted as $Political\ Stability_{it-1}$ and $Natural\ Resource\ Rents_{it-1}$; the β_1 and δ_1 are their coefficients and are the primary focus of this study. To include potential confounders, we control a set of variables in equation (1), which are denoted as Φ with α as its coefficient. In equation (2), these control variables are denoted as ω with θ as its coefficient. The error terms are denoted as u_{it} and ν_{it} in our model specifications.

Statistical Findings and Analysis

This section presents the statistical results from the hypothesis testing of the three proposed hypotheses. Table 1 presents the baseline results for Hypothesis 1. We begin by regressing Chinese FDI on repression alone (Column 1), then sequentially introduce a set of covariates (Column 2), and finally estimate a fixed effects model (Column 3) to account for unobserved country- and year-level heterogeneity. While the relationship between repression and Chinese FDI becomes statistically significant at the 10% level once control variables are added (Column 2), the effect becomes statistically insignificant after introducing fixed effects (Column 3). This pattern suggests that repression alone may not systematically influence Chinese FDI once unobserved heterogeneity is accounted for. This raises the possibility that the effect of repression is conditional on other contextual factors—namely, political stability and natural resource rents—as theorized in our hypotheses. To explore this further, we estimate a specification that includes both interaction terms simultaneously.

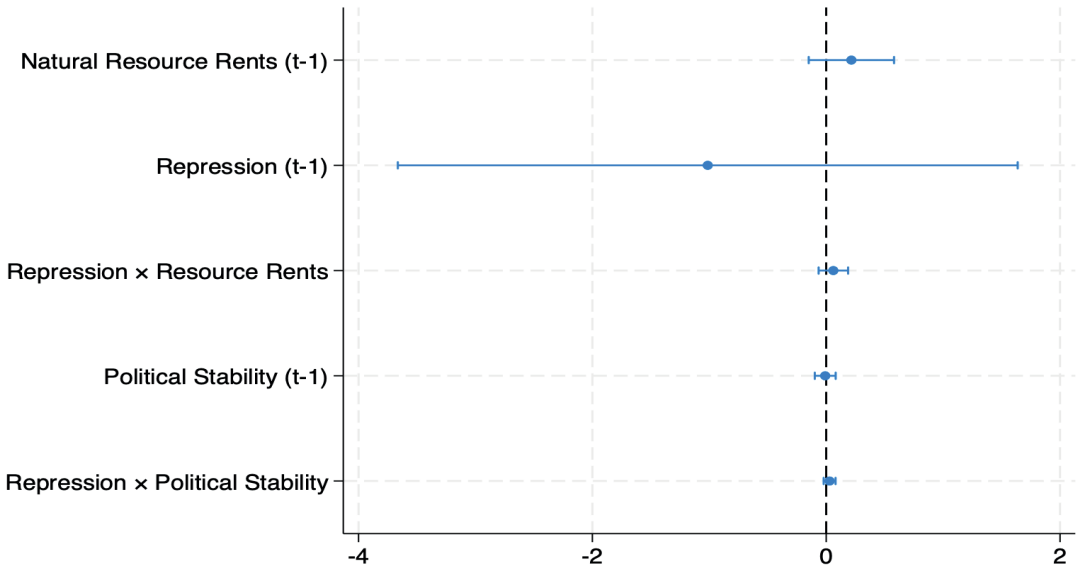
Table 1. Regression Estimates of the Effect of Repression on Chinese FDI Inflows

	(1) OLS (Repression Only)	(2) OLS (with Controls)	(3) FE (with Controls)
Repression (t-1)	0.162	0.870*	0.230
	(0.150)	(0.467)	(0.656)
Political Stability (t-1)		0.0970***	0.0344
		(0.0282)	(0.0181)
Natural Resources (logged)		-0.336	1.137
		(0.358)	(0.866)
Tax Revenue (logged)		-0.490	-0.886
		(0.858)	(1.478)
Corruption Control (logged)		-1.072***	-0.603
		(0.315)	(0.937)
Trade Openness (logged)		-2.923**	-0.504
		(1.412)	(1.035)
Democracy		3.925	2.672
		(4.445)	(2.603)
GDP per capita (logged)		0.693***	-5.034
		(0.198)	(4.160)
Population (logged)		-0.00366	0.00770
		(0.00623)	(0.0445)
_cons	3.623***	1.749	132.0
	(0.217)	(7.668)	(97.59)
Country Fixed effects	No	No	Yes
Year Fixed effects	No	No	Yes
R^2	0.00480	0.637	0.862
Adj. R^2	-0.000205	0.595	0.807
Observations	201	88	88

Standard errors in parentheses
Robust standard errors are reported.
All control variables are logged where appropriate.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

We place the two interaction terms ($Repression_{it-1} * Political\ Stability_{it-1}$ and $Repression_{it-1} * Natural\ Resource\ Rents_{it-1}$) in the same regression and report the coefficient plot in Figure 1 (while the full regression table is presented in Table A.1. in the Appendix). Empirically, having two interaction terms with the same explanatory variable (here is $Repression_{it-1}$) can lead to perfect collinearity in our estimation, thereby invalidating the estimation of the interaction term (i.e., one of the explanatory variables is dropped due to the perfect collinearity) and t-statistics with an extensive confidence interval. While such results reject our Hypothesis 1, it is reasonable to suspect that the relationship between repression and Chinese FDI may exist conditional on other potential variables. Therefore, we investigate these relationships by interacting political stability and natural resource rents with repression, using both FE and RE models.

Figure 1. Regression Coefficients from Table A.1. Including Both Interaction Terms[5]



The estimation results are presented in Table 2, where both interaction terms are statistically significant in the FE models. The result from Column 1 indicates that higher levels of repression are associated with an increase in Chinese FDI inflows in countries with high levels of political stability ($p < 0.05$). In contrast, the estimates from Column 3 suggest that repression increases Chinese FDI in countries with a higher reliance on natural resource rents ($p < 0.01$). These findings prove that repression's effect on attracting Chinese investment is conditional on key domestic factors, particularly political stability and resource rents.

5 This model incorporates both interaction terms simultaneously. However, the results should be interpreted with caution due to concerns about perfect multicollinearity. While all control variables are included in the analysis, they are not displayed in the figure.

Table 2. Interaction Effects of Repression with Political Stability and Resource Rents on Chinese FDI Inflows

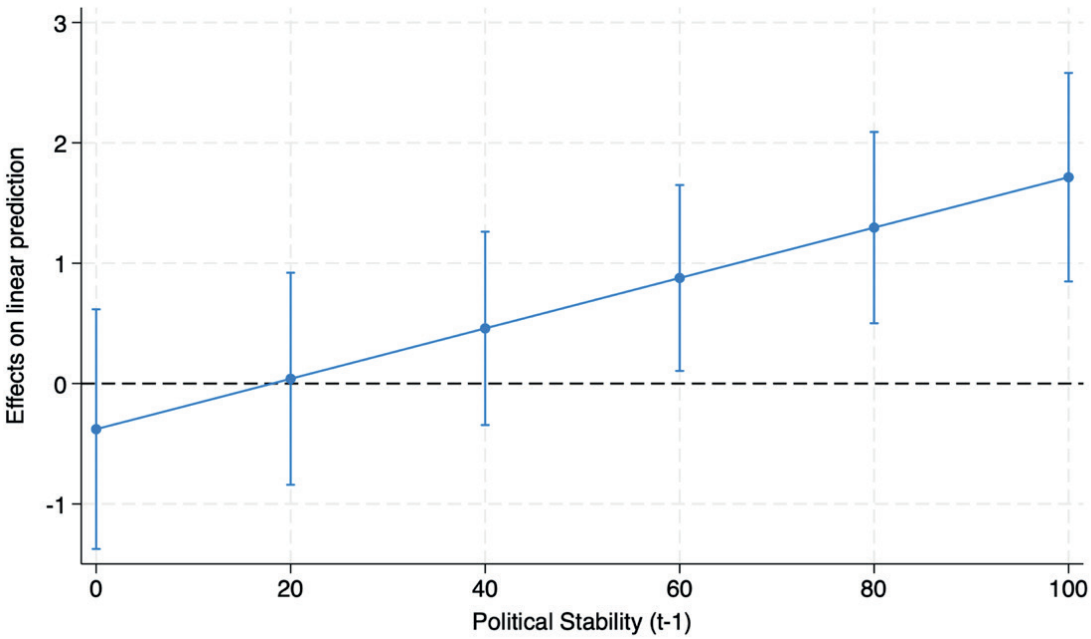
	(1) Repression Ā — Stability (FE)	(2) Repression Ā — Stability (RE)	(3) Repression Ā — Resource Rents (FE)	(4) Repression Ā — Resource Rents (RE)
Repression (t-1)	-0.379	0.935	0.0434	1.154
	(0.605)	(1.146)	(0.607)	(0.809)
Political Stability (t-1)	0.0323*	0.0953*		
	(0.0159)	(0.0533)		
Repression Ā — Political Stability (t-1)	0.0209**	-0.00257		
	(0.00621)	(0.0192)		
Natural Resource Rents (t-1)			0.0156	-0.0920
			(0.114)	(0.117)
Repression Ā — Resource Rents (t-1)			0.0992***	-0.0421
			(0.0259)	(0.120)
Political Stability			0.0487**	0.0953**
			(0.0149)	(0.0447)
Tax Revenue (logged)	-1.169	-0.430	-1.456	-0.204
	(1.459)	(1.327)	(1.877)	(1.367)
Corruption Control (logged)	-0.829	-1.075***	0.0744	-0.809
	(1.122)	(0.230)	(0.953)	(0.557)
Trade Openness (logged)	-0.563	-2.906	-0.755	-3.333
	(1.024)	(2.066)	(1.204)	(2.218)
Democracy	4.067	3.806	8.690***	4.499
	(2.459)	(6.844)	(2.143)	(5.696)
GDP per capita (logged)	-4.280	0.700***	-0.0248	0.716***
	(4.353)	(0.230)	(5.488)	(0.123)
Population (logged)	0.0376	-0.00359	-0.0431	-0.00715
	(0.0494)	(0.0100)	(0.0362)	(0.0114)
Natural Resources (logged)	1.043	-0.349		
	(0.752)	(0.567)		
_cons	112.2	1.506	4.921	1.226
	(102.2)	(9.734)	(127.8)	(8.537)
Country Fixed effects	Yes	No	Yes	No
Year Fixed effects	Yes	No	Yes	No
N	88	88	94	94

Standard errors in parentheses
All control variables are logged where appropriate.
Robust standard errors are reported.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

It is worth noting, however, that the interaction terms are not statistically significant when estimated using the RE model (Column 2 and Column 4). Although this may seem to contradict our argument at first glance, an important insight is highlighted from our analysis: the relationship between repression and Chinese FDI—when conditioned on political stability and natural resource rents—is primarily driven by within-country effects rather than cross-country effects. In other words, the observed impacts reflect how changes in repression within a given country over time influence FDI inflows rather than differences across countries.

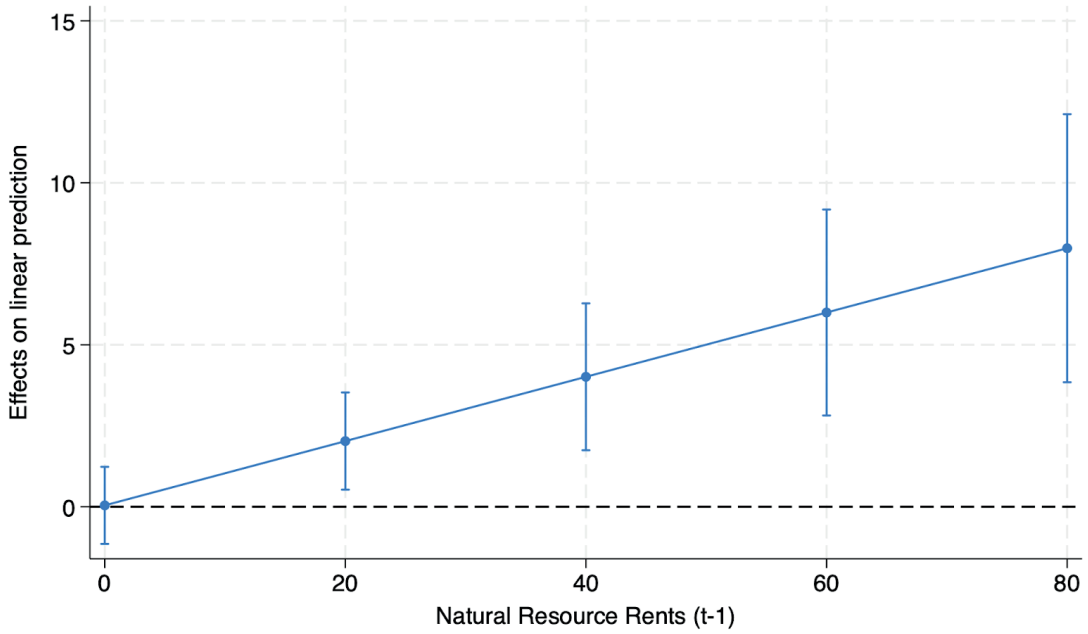
To illustrate the conditional effects more clearly, Figures 2 and 3 present marginal effects derived from Table 2, showing how the impact of state repression on Chinese FDI inflows depends on the levels of political stability and natural resource rents. When political stability is lower, repression has virtually no effect on attracting Chinese FDI. However, the marginal impact of repression increases as political stability rises. Accordingly, this finding supports Hypothesis 2, which posits that repressive regimes with higher political stability are more likely to attract greater volumes of Chinese FDI. Next, repression has little to no effect on attracting Chinese FDI when natural resource rents are low. However, the marginal impact of repression becomes substantially stronger as resource rents increase. These results are consistent with Hypothesis 3, indicating that the effect of repression on Chinese FDI inflows is amplified in countries with a greater dependence on natural resource rents.

Figure 2. Marginal Effects of State Repression on Chinese FDI.*



* Error bars represent 95% confidence intervals

Figure 3. Marginal Effects of State Repression on Chinese FDI.*



* Error bars represent 95% confidence intervals

Given that our main statistical results are driven by within-country heterogeneity, one may be concerned that the overall effect of repression—conditional on political stability and natural resource rents—could be disproportionately influenced by a small number of influential observations or country-year. To address this possibility, we calculate studentized residuals to identify potential outliers in Model 1 and Model 3 of Table 2. Figures A.1 and A.2 in the appendix display the results of this diagnostic, indicating that the Philippines in a specific year may represent an extreme case in terms of Chinese FDI inflows. To assess the robustness of our findings, we re-estimate Models 1 and 3 after excluding these outliers and present the results in Table A.2 for comparison. The re-estimated coefficients for our key interaction terms remain statistically significant and retain the same direction (Columns 2 and 4), suggesting that a small set of extreme observations does not drive our main findings.

Cases: Chinese Investments in Cambodia and Indonesia

According to the empirical analysis, both political stability and resource rents have been tested as determinants linking Chinese FDI to repression. To illustrate how these two variables function as mechanisms representing the dual dimensions of Chinese engagement that reshape the investment climate in practice, Cambodia and Indonesia are selected as case studies within the Southeast Asian context. Empirically, Indonesia, Singapore, and Malaysia have been the top three recipients of Chinese FDI in Southeast Asia, collectively accounting for more

than half of the region's inflows over the past two decades (specifically from 2005 to 2019, see Goh and Liu 2023: 47). For instance, Chinese investment reached USD 13.94 billion in 2023, representing a dramatic increase from just USD 673.12 million in 2013 (BKPM 2024). Although other Southeast Asian countries receive relatively less Chinese FDI, China has increasingly become the primary source of foreign investment in countries such as Cambodia, which has experienced a substantial rise in Chinese FDI since 2016 (Goh and Liu 2023: 21). Most importantly, civil society in both Cambodia and Indonesia has faced increasing state-imposed restrictions since 2013, according to data from V-Dem. This trend parallels with the period during which Chinese FDI grew more prominent in both countries following the launch of the BRI. Nonetheless, the distinct political-economic structures of Cambodia and Indonesia reveal how the two theoretical mechanisms—stability maintenance and extractive repression—are enacted within real-world political contexts.

Cambodia

Cambodia has been one of the least resource-dependent countries in Southeast Asia, with natural resource revenues averaging less than 3% over the past decade and dropping to below 1% since 2018. Nevertheless, indicators suggest that Cambodia's political stability has improved markedly, maintaining a level of around 50% during the same period—comparable to Vietnam and Malaysia and surpassed only by Laos, Brunei, and Singapore among ASEAN countries. Political stability has thus been identified as one of the most critical factors enabling Cambodia to attract foreign investors consistently in recent years, and FDI inflows surged to a historic high of USD 8.1 billion between September 2023 and September 2024 (Sum 2024). As mentioned before, China has become the largest source of inward FDI in Cambodia, "with considerable shares shift from the energy sector mainly to the infrastructure sector since 2015" (Goh and Liu 2023: 10). This trend also aligns with the broader shift in aggregate FDI, which has moved significantly away from fossil fuels and metal industries toward sectors such as real estate and financial services since 2013 (Iammarino et al. 2024).

The Cambodian government has introduced a range of policies to attract foreign investment to transition the country to a higher-middle-income economy by 2030. One notable example is the establishment of special economic zones (SEZs), which provide foreign companies with easier access to land and infrastructure (Bureau of Economic and Business Affairs 2024). Nonetheless, weak labor rights protections may also draw foreign investors—including those from China—particularly in labor-intensive sectors such as manufacturing. For instance, workers' rights to join trade unions, bargain collectively, and engage in strikes are often restricted—sometimes carrying the risk of legal charges by the authorities (see Human Rights Watch 2023)—and unions operating within SEZs face significant challenges as well (Bureau of Democracy, Human Rights, and Labor 2023). Moreover, since 2013, labor unions in Cambodia have been co-opted by the ruling party to mobilize workers in support of the authorities, serving as another instrument for maintaining political stability in the country (Vong 2024).

Indonesia

Indonesia's political stability has averaged below 30% over the past two decades, placing it among the less stable countries in Southeast Asia. Although its reliance on resource rents has declined since the 2000s compared to earlier periods, it remains in the mid-range among Southeast Asian nations, with resource rents accounting for approximately 5% of GDP. This dependence also reflects Indonesia's status as a natural resource-producing country—a vital factor closely tied to the composition of its inward FDI. In recent years, the metal-based industry has attracted the largest share of foreign investment, and Indonesia has emerged as the world's leading nickel producer, accounting for 53% of global mined nickel and 37% of refined nickel output in 2023. While Indonesia benefits from a significant advantage in nickel reserves, Chinese companies control approximately 40% of global nickel production (IEA 2024), making China one of the most influential investors in Indonesia, particularly in the mineral sector (Tritto 2023).

In light of the substantial foreign investment, nickel mining, smelting, and refining projects in Halmahera Island in the eastern part of the archipelagic country have been reported to clear hectares of forest land and displace locals or indigenous people, leading to "environmental harm and human rights abuses" (Jong 2024). Moreover, several protests in mining areas have also reportedly created tensions in the industry. For instance, in early January 2023, authorities deployed security forces after a protest demanding improved safety measures escalated into deadly clashes at the PT Gunbuster Nickel Industry smelter, which is owned by a Chinese company (Christina and Teresia 2023). This case demonstrates that, compared to other economic sectors, authorities at both the central and local levels in Indonesia have "acted against protesters' demands," thereby fostering a more favorable environment for investors in the extractive industries (Wischermann et al. 2023). This dynamic can be attributed to the structural features of the rentier state, sustained by resource rents in countries such as Indonesia (see Gellert 2010).

Conclusion

Existing studies on the determinants of Chinese FDI have examined economic interests and governance factors to determine which are more effective in attracting investors from China. Against this backdrop, we aim to bridge the theoretical gap between FDI and human rights in China's international investment behavior, incorporating perspectives from rentier and non-rentier state contexts. Most importantly, our study broadens the scope of discussion to encompass the politico-economic dynamics involving civil society in Southeast Asia during China's rise—an era marked by increasing Chinese influence globally. To achieve this objective, the paper examines the relationships between FDI and civil society repression under varying conditions of political stability and natural resource rents, drawing on both statistical analysis and empirical case studies from Southeast Asia. These conditions reflect two distinct mechanisms—political stability and resource dependence—representing divergent dimensions through which host countries attract Chinese FDI.

The statistical findings from our study are further supported by the two country cases, which illustrate that Southeast Asian governments exhibit a strong propensity to intervene in the economy through policy tools, particularly via restrictive measures aimed at suppressing civil society. The underlying motivation for such behavior occurs under two scenarios: (1) the incentive to reduce political risk to allure foreign investors further, and (2) the coercive capacity enhanced by resource rents, with the same goal of creating a more stable investment climate. The explanations are reinforced by empirical evidence from Cambodia and Indonesia, respectively, countries that share a similar perspective of prioritizing economic growth over the protection of human rights, reflecting a state-led developmental approach deeply embedded within the ruling elites (see Hayashi 2010). Consequently, while Western investors often prioritize human rights and other CSR indicators in host countries, authoritarian China has emerged as an attractive investor that aligns more closely with the political priorities of Southeast Asian governments in pursuing economic development. Such dynamics may also be observed in countries with similar policy goals in other regions. Furthermore, these consequences highlight the richness of using Southeast Asia as a case study to explore Chinese economic presence abroad, as it illustrates the complex dynamics in which civil society is affected by internal and external forces.

Furthermore, this paper aims to contribute to the scholarly discussions between FDI studies and research on the rise of China in the global economy. Notably, in recent years, scholars have sought to address the consequences of the "China Shock," responding to growing calls for greater attention to China's rising influence not only within the international order —both politically and discursively (Yıldız 2023; Jin 2025) —but also in the field of IPE (Oatley 2021). Therefore, our study emphasizes the importance of investigating the underlying determinants of China's economic presence globally, especially by unpacking the dynamics of the political-economic structures on the recipient side in various regional and country-specific contexts. While our findings align with existing research indicating that Chinese firms "remain unresponsive to the potential difficulties associated with human rights repression" (Lu and Blanton 2024), distinct political-economic mechanisms are revealed for us to examine the conditions under which the effects of China's economic presence manifest. We believe this approach lays the groundwork for a more comprehensive understanding of China's global influence, providing a basis for future studies to assess Chinese international practices with greater nuance.

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Appendix A

Chinese FDI Flows to Major Economies (Excluding Hong Kong and Macao) Since 2013 Under the BRI (100 Million USD)

	ASEAN		EU		USA		Australia		Russia	
	Amount	Share(%)	Amount	Share(%)	Amount	Share(%)	Amount	Share(%)	Amount	Share(%)
2013	72.67	6.7	45.24	4.2	38.73	3.6	34.58	3.2	10.22	0.9
2014	78.09	6.3	97.87	7.9	75.96	6.2	40.49	3.3	6.34	0.5
2015	146.04	10	54.8	3.8	80.29	5.5	34.01	2.3	29.61	2
2016	102.79	5.2	99.94	5.1	169.81	8.7	41.87	2.1	12.93	0.7
2017	141.19	8.9	102.67	6.5	64.25	4	42.42	2.7	15.48	1
2018	136.94	9.6	88.66	6.2	74.77	5.2	19.86	1.4	7.25	0.5
2019	130.24	9.5	106.99	7.8	38.07	2.8	20.87	1.5	N/A	N/A
2020	160.63	10.4	100.99	6.6	60.19	3.9	11.99	0.8	5.7	0.4
2021	197.3	11	78.6	4.4	55.8	3.1	19.2	1.1	N/A	N/A
2022	186.5	11.4	69	4.2	72.9	4.5	27.9	1.7	N/A	N/A
2023	251.2	14.2	64.8	3.7	69.1	3.9	5.5	0.3	N/A	N/A

Appendix B

Descriptive Statistics

Variables	Observations	Mean	Standard Deviation	Min/Max
Chinese FDI (t-1)	3,685	1.998	2.623	-4.605 / 11.646
Natural Resource Rents (t-1)	4,029	7.174	11.475	0 / 87.578
Natural Resources (logged)	4,029	1.351	1.188	0 / 4.484
Repression (t-1)	3,968	-0.983	1.493	-3.324 / 3.759
Political Stability	4,083	48.134	28.457	0 / 100
Political Stability (t-1)	4,083	48.134	28.457	0 / 100
Corruption Control (logged)	4,055	3.612	0.919	0.004 / 4.615
Tax Revenue (logged)	2,626	2.819	0.454	0.0006 / 5.002
Trade Openness (logged)	3,668	4.340	0.526	0.563 / 6.083
Democracy	3,781	0.525	0.262	0.015 / 0.926
GDP per capita (logged)	3,954	24.165	2.302	18.713 / 30.676
Population (logged)	3,408	39.861	143.820	0.044 / 1433.784

Appendix C

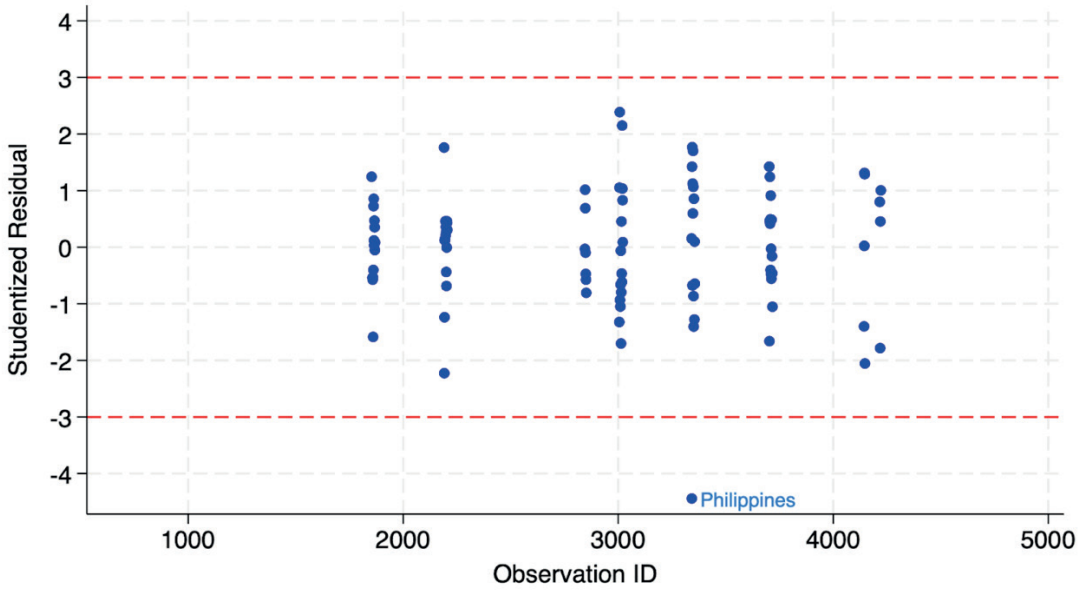
Table A.1. Fixed Effects Regression Including Both Interaction Terms

	(1) FE: Both Interactions
Repression (t-1)	-1.013 (1.083)
Repression (t-1)	0 (.)
Political Stability (t-1)	-0.00839 (0.0365)
Repression × Political Stability (t-1)	0.0293 (0.0208)
Natural Resource Rents (t-1)	0.215 (0.149)
Repression × Resource Rents (t-1)	0.0612 (0.0515)
Political Stability	0.0107 (0.0290)
Tax Revenue (logged)	-1.704 (1.430)
Corruption Control (logged)	-0.448 (1.342)
Trade Openness (logged)	-3.447** (1.096)
Democracy	4.589*** (1.234)
GDP per capita (logged)	6.297*** (0.534)
Population (logged)	0.0117 (0.0608)
Natural Resources (logged)	
_cons	-136.5*** (13.06)
N	88

Standard errors in parentheses
Appendix model including both interaction terms.
All control variables are logged where appropriate.
Robust standard errors are reported.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

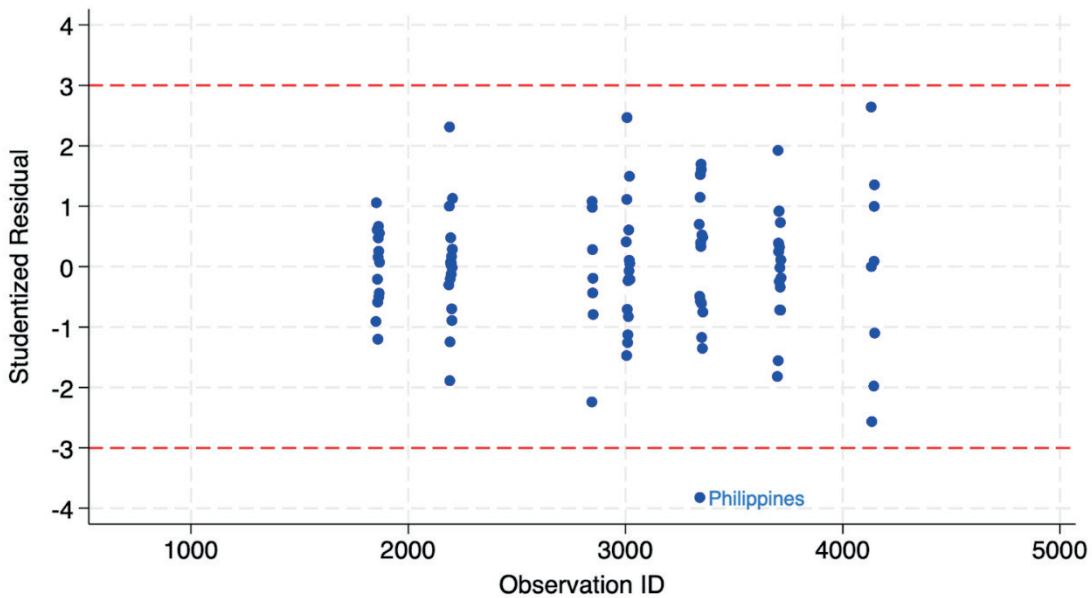
Notes: The fixed effects regression model includes interaction terms between repression and political stability and between repression and natural resource rents. Due to the inclusion of overlapping interaction structures, results should be interpreted with caution.

Figure A.1. Outlier Diagnostics for Model 1 (in Table 2): Studentized Residuals



Notes: Based on the residual plot, several observations from specific country-year combinations (e.g., from the Philippines) exceed the ±3 threshold and are therefore excluded in robustness checks shown in Table A.2.

Figure A.2. Outlier Diagnostics for Model 3 (in Table 2): Studentized Residuals



Notes: Based on the residual plot, several observations from specific country-year combinations (e.g., the Philippines) exceed the ±3 threshold and are therefore excluded in robustness checks shown in Table A.2.

Table A.2. Robustness Check: Removing Outliers Based on Studentized Residuals

Robustness Check: Removing Outliers Based on Studentized Residuals

	(1) Stability (Full)	(2) Stability (No Outliers)	(3) Resources (Full)	(4) Resources (No Outliers)
Repression (t-1)	1.714**	1.795*	0.043	0.116
	(0.527)	(0.743)	(0.607)	(0.521)
Political Stability (reverse, t-1)	-0.032*	-0.034		
	(0.016)	(0.019)		
Repression × Political Stability (t-1)	-0.021**	-0.019*		
	(0.006)	(0.008)		
Natural Resource Rents (t-1)			0.016	-0.016
			(0.114)	(0.116)
Repression × Resource Rents (t-1)			0.099***	0.112**
			(0.026)	(0.036)
Political Stability			0.049**	0.049***
			(0.015)	(0.011)
Tax Revenue (logged)	-1.169	-1.079	-1.456	-1.936
	(1.459)	(1.050)	(1.877)	(1.877)
Corruption Control (logged)	-0.829	-0.705	0.074	0.587
	(1.122)	(0.760)	(0.953)	(0.705)
Trade Openness (logged)	-0.563	-0.425	-0.755	-0.783
	(1.024)	(0.967)	(1.204)	(1.202)
Democracy	4.067	7.787	8.690***	7.644**
	(2.459)	(5.339)	(2.143)	(2.231)
GDP per capita (logged)	-4.280	-2.540	-0.025	1.030
	(4.353)	(4.772)	(5.488)	(5.436)
Population (logged)	0.038	0.008	-0.043	-0.076**
	(0.049)	(0.037)	(0.036)	(0.030)
Natural Resources (logged)	1.043	0.285		
	(0.752)	(0.440)		
Constant	115.409	70.378	4.921	-18.947
	(102.926)	(115.913)	(127.771)	(126.325)
R^2	0.867	0.867	0.878	0.893
Adj. R^2	0.810	0.810	0.828	0.848
Observations	88.000	84.000	94.000	93.000

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$