



Spatial Spillover Effects of China's Agricultural Outward Foreign Direct Investment on ASEAN Food Security

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Abstract: Food security is a cornerstone of national strategic security and social welfare, an issue of growing salience in an era of deepening global economic interdependence. ASEAN, as a regionally integrated international organisation fulfilling multifaceted governance functions, plays a pivotal role in shaping food security outcomes across Southeast Asia. Using balanced panel data from ten ASEAN member states over the period 2000-2022, this study constructs a multidimensional Food Security Index (FSI) via principal component analysis (PCA), and employs ordinary least squares (OLS) estimation, fixed-effects panel regression, and a panel vector autoregression (PVAR) model to examine the relationship between ASEAN food security and China's agricultural outward foreign direct investment (AGRI-OFDI). Impulse response functions (IRFs) are further employed to trace the time-varying dynamics of these relationships. Three principal findings emerge: (1) improved food security is a key antecedent of AGRI-OFDI expansion, with host-country food security gains significantly stimulating subsequent agricultural capital inflows; (2) agricultural gross output is negatively associated with food security, suggesting that output-centric agricultural development strategies may fail to translate into substantive food security gains owing to post-harvest losses, ecological constraints, and distributional imbalances; and (3) the effects of trade openness and rural population size exhibit marked cross-country heterogeneity, reflecting the moderating roles of intra-regional development gradients and structural disparities.

Keywords: China's agricultural OFDI, ASEAN food security, multidimensional index, panel vector autoregression, food system resilience

INTRODUCTION

Food is the material foundation upon which human societies are sustained and developed. Ensuring food security constitutes a fundamental strategic pillar for managing systemic risk and maintaining social stability. The ASEAN region, serving as a strategic hub within the global food system, exhibits pronounced heterogeneity in food security conditions across its member states. According to the official evaluation contained in the ASEAN Integrated Food Security Framework (2021-2025), the region encompasses both highly import-dependent economies, such as Singapore, where the food self-sufficiency ratio falls below 10%, and countries facing persistent nutritional challenges, including Cambodia and Myanmar, where the prevalence of undernourishment exceeds 19% (FAO, 2022). Academic research on the drivers of food security in this region has generated a clear scholarly consensus on some mechanisms: Rasul et al. (2022) empirically established an elasticity coefficient of 0.68 between irrigated cropland expansion and rice self-sufficiency, highlighting the foundational role of resource endowments; while a World Bank (2023) country-level report found that each one-standard-deviation improvement in political stability raises the food

access index by 7.3 percentage points, confirming the crucial moderating function of institutional environments. Notwithstanding this progress, the existing literature has yet to systematically examine the multidimensional pathways through which cross-border agricultural investment—and Chinese capital in particular—influences food security outcomes.

China's agricultural outward foreign direct investment in ASEAN (AGRI-OFDI) has undergone a dual transformation in scale and structure. Data from China's Statistical Bulletin on Outward Foreign Direct Investment (Ministry of Commerce, 2023) indicate that the investment stock grew 58-fold between 2000 and 2022 to reach USD 4.73 billion, representing a compound annual growth rate of 18.7%. Within this portfolio, the share allocated to crop cultivation declined by 21 percentage points, while agri-food processing and logistics together now account for 33% of total investment. This structural shift has generated scholarly debate over whether the effects are broadly beneficial or carry mixed consequences: Buckley et al. (2023) argue that Chinese investment significantly raises total factor productivity in host-country agriculture (at an average annual rate of 2.1%), whereas Huang et al. (2022) caution that land-intensive investments may undermine smallholder land rights and thereby diminish food access capacity. Resolving this theoretical tension requires region-specific empirical validation using rigorous econometric methods.

In terms of measurement, this study moves beyond conventional single-output indicators. Drawing on the FAO (2021) Guidelines for Food Security Assessment Methodology, it applies PCA to construct a three-dimensional composite Food Security Index (FSI). The index spans the dimensions of access (per capita food production variability, access to basic drinking water, access to basic sanitation services), utilisation (average dietary energy supply adequacy), and stability (food import dependency ratio, political stability index). The index demonstrates strong statistical validity, with a Kaiser-Meyer-Olkin sampling adequacy value of 0.873 (Bartlett's test $p < 0.001$) and a cumulative variance explanation rate of 75.99%, representing a significant improvement over the partial measures used in prior research.

Drawing on panel data for ten ASEAN member states over 2000-2022, this study empirically deconstructs the mechanisms through which China's AGRI-OFDI affects regional food security using a PVAR model combined with a causal identification strategy. The theoretical contributions are threefold: identifying the causal direction and time-varying characteristics of the food security-investment nexus; verifying the moderating roles of cropland resources and governance quality; and generating micro-level evidence to inform agricultural investment governance within the ASEAN framework—findings that carry important policy implications for constructing a more resilient regional food system.

LITERATURE REVIEW

Agricultural FDI and Food Security

The relationship between agricultural foreign direct investment and food security has attracted sustained scholarly attention. Through channels encompassing technology transfer, optimised resource allocation, and value chain extension, agricultural FDI is held to raise host-country agricultural productivity and improve food security outcomes. Using panel data for 20 developing countries over 2012-2017, Wardhani (2020) applied a system-

GMM model and found that agricultural FDI significantly enhances food security, whereas food imports exhibit no significant effect. FAO reports similarly indicate that FDI in the agricultural sector yields significant productivity gains in low- and middle-income countries, particularly when combined with official development assistance—a finding that broadly corroborates the positive effects attributed to agricultural direct investment.

Nevertheless, the relationship between agricultural FDI and food security is not linear; outcomes depend substantially on the host country's economic structure, policy environment, and the broader international investment context. Ma and Lü (2012) identified a potential crowding-out mechanism, whereby agricultural FDI may displace domestic agricultural investment and employment. Moreover, the geographic distribution and sectoral composition of agricultural FDI shape its contribution to food security—for instance, China's agricultural investment location patterns within ASEAN are closely intertwined with bilateral economic ties. These considerations underscore the need for analysis that is sensitive to regional specificity and investment structure.

Spatial Spillover Effects in Agricultural Economics

Spatial spillover effects represent an important topic within agricultural economics research, particularly as the spatial interdependence of agricultural economic activities intensifies alongside regional economic integration and globalisation. Agricultural economic resilience is shaped not only by local factors but also by significant spatial spillovers. Chen and Duan (2025) constructed an agricultural economic resilience index and applied a spatial Durbin model, revealing that resilience in China's agricultural economy affects neighbouring regions through spatial spillovers, with implications for policy design. Zhang and Hui (2022) examined the spatial spillover effects of urbanisation on food security and found that the spatial transmission mechanism differs significantly across regions with varying levels of economic development. Dong (2025) focused on the influence of digital infrastructure on food system resilience, demonstrating that such infrastructure not only strengthens local food system resilience but also produces positive spatial spillovers that benefit surrounding areas. Spatial spillover effects in agricultural economics may operate not only internally within the agricultural sector, but also through cross-regional interactions involving agricultural investment, trade, and policy. China's agricultural investment in ASEAN, for example, may generate spatial spillovers via technology diffusion, value chain integration, and regional economic deepening, thereby affecting the agricultural structure and food security of ASEAN member states.

These effects may be further amplified through policy coordination, infrastructure development, and regional cooperation.

On the basis of this review, the following hypotheses are proposed:

- *H1: China's agricultural OFDI exerts a positive effect on the food security of ASEAN member states.*
- *H2: ASEAN member states' food security responds positively to shocks from China's agricultural OFDI.*

RESEARCH DESIGN

Data Sources

This study constructs its analytical framework using balanced panel data for ten ASEAN member states over the period 2000-2022. The operational definitions and data sources for all core variables are presented in Table 1. Data are drawn primarily from official databases: the Food and Agriculture Organization of the United Nations (FAOSTAT), China's Statistical Bulletin on Outward Foreign Direct Investment, and the World Bank's World Development Indicators (WDI). To satisfy the basic assumptions of the econometric models, variables with right-skewed distributions were log-transformed to mitigate heteroskedasticity. Specifically, \ln FSI, \ln OFDI_agri, $\ln(\text{Prodagr}+1)$ (with unity added to avoid zero-value problems), $\ln(\text{Rural_pop}+1)$, and \ln Land denote the natural logarithms of, respectively, the ASEAN composite food security index, China's agricultural OFDI, agricultural production value, rural population growth rate, and arable land area. This preprocessing strategy enhances the robustness of model estimates through dimensional standardisation and distributional normalisation while preserving the economic interpretability of each variable.

Table 1: Variable Definitions and Data Sources

Variable Type	Variable	Definition	Source
	Ades	Average dietary energy supply adequacy: each country's dietary energy supply as a percentage of average dietary energy requirements	FAOSTAT
	Gi	Variability of per capita food supply: percentage change in per capita food supply by country	FAOSTAT
	Cpcgp	Variability of per capita food production: percentage change in per capita food production by country	FAOSTAT
	If	Irrigable cropland: percentage of irrigable cropland in total land area by country	FAOSTAT
	Pbdw	Population using basic drinking water services: percentage of population with access to basic drinking water by country	FAOSTAT
	Pbhs	Population using basic sanitation services: percentage of population with access to basic sanitation by country	FAOSTAT
	Ps	Political stability: each country's index of political stability and absence of violence/terrorism	FAOSTAT
	Gice	Value of food imports as share of total merchandise exports: percentage of food imports in total merchandise exports by country	FAOSTAT
Dependent variable	\ln FSI	Natural logarithm of the ASEAN composite food security index	Computed by authors
Key independent variable	\ln OFDI_agri	Natural logarithm of China's agricultural outward FDI	MOFCOM Statistical Bulletin on OFDI
Control variables	$\ln(\text{Prodagr}+1)$	Natural logarithm of agricultural production value at constant 2005 prices	FAOSTAT
	Openness	Sum of imports and exports of goods and services as a percentage of GDP	World Bank WDI
	\ln Land	Natural logarithm of arable land area	World Bank WDI
	$\ln(\text{Rural_pop}+1)$	Natural logarithm of the rural population annual growth rate	World Bank WDI

Variable Specification

The dependent variable in this study is the ASEAN composite food security index, synthesised via principal component analysis (PCA) and entered into the regression models in its natural logarithmic form, \ln FSI, to optimise the distributional properties of the variable. The key independent variable is \ln OFDI_agri, the log-transformed value of China's direct investment in the agricultural sectors of the ten ASEAN member states, which captures the intensity of cross-border agricultural capital flows.

To control for potential confounds, four sets of control variables are introduced: (1) the natural log of agricultural production value plus unity, $\ln(\text{Prodagr}+1)$, measured at constant 2005 prices, which is expected to exert a positive influence on food security through supply-side effects; (2) trade openness (Openness), quantified as the ratio of total merchandise and services trade to GDP—given the exposure to international food price volatility and import dependency risks, a negative effect is theoretically anticipated; (3) the natural log of arable land area, \ln Land, which, as a foundational production factor, should enhance food supply capacity through factor endowment effects; and (4) the natural log of rural population growth rate plus unity, $\ln(\text{Rural_pop}+1)$, which proxies agricultural labour supply and may improve output efficiency through intensive cultivation practices. Together, these four controls span the dimensions of production foundations, market integration, resource constraints, and demographic structure, providing the theoretical basis for identifying the net effect of agricultural OFDI.

Model Specification

Based on the China-ASEAN panel dataset spanning 2000-2022, a baseline multivariate ordinary least squares (OLS) regression model is specified as follows:

$$\ln \text{FSI}_{it} = \beta_0 + \beta_1 \ln \text{OFDI_agri}_{it} + \beta_2 \ln \text{Prodagr}_{it} + \beta_3 \text{Openness}_{it} + \beta_4 \ln \text{Land}_{it} + \beta_5 \ln \text{Rural_pop}_{it} + \epsilon_{it} \quad (1)$$

where i denotes country, t denotes year, and ϵ_{it} is the idiosyncratic error term.

To select the most appropriate panel estimator, three sequential specification tests were conducted. An F-test rejected the null hypothesis of no individual fixed effects at the 1% significance level ($p = 0.000$), supporting a fixed-effects specification. A Breusch-Pagan Lagrange multiplier test similarly rejected homoskedasticity at the 1% level ($p = 0.000$), indicating the presence of random effects. Finally, a Hausman test rejected the null hypothesis of uncorrelated individual effects and regressors at the 1% level ($p = 0.000$), indicating that random effects estimates may be inconsistent due to endogeneity. On the basis of the Hausman test result, a fixed-effects model (FE) was selected as the benchmark estimation framework, specified as:

$$\ln \text{FSI}_{it} = \beta_0 + \beta_1 \ln \text{OFDI_agri}_{it} + \beta_2 \ln \text{Prodagr}_{it} + \beta_3 \text{Openness}_{it} + \beta_4 \ln \text{Land}_{it} + \beta_5 \ln \text{Rural_pop}_{it} + \epsilon_{it} \quad (2)$$

where i denotes country, t denotes year, and ϵ_{it} is the random disturbance term.

Table 2: Model Selection Tests

Test	Statistic	p-value	Conclusion
F-test	96.097	0.000***	Fixed Effects
Breusch-Pagan test	895.463	0.000***	Random Effects
Hausman test	75.473	0.000***	Fixed Effects

EMPIRICAL RESULTS

Construction of the ASEAN Composite Food Security Index

This section constructs a composite food security index for the ASEAN member states using principal component analysis (PCA) following Hotelling (1933). The eight indicators selected are: average dietary energy supply adequacy (Ades), variability of per capita food supply (Gi), variability of per capita food production (Cpcgp), percentage of irrigable cropland (If), population using basic sanitation services (Pbhs), population using basic drinking water services (Pbdw), political stability and absence of violence/terrorism (Ps), and the value of food imports as a share of total merchandise exports (Gice).

Prior to estimation, the suitability of PCA was assessed using two standard diagnostic tests. As shown in Table 3, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.873, confirming that the variable system exhibits a high degree of internal correlation and meets the prerequisite for factor analysis. Bartlett's test of sphericity is also highly significant ($p = 0.000$), rejecting the null hypothesis that the correlation matrix is an identity matrix and further validating the appropriateness of PCA.

Table 3: KMO and Bartlett's Test of Sphericity

KMO value	Bartlett's test p-value
0.873	0.000

Three principal components were retained on the basis of the Kaiser criterion (eigenvalue > 1). As reported in Table 4, the individual variance explanation rates of the three components are 40.63%, 21.35%, and 14.01%, respectively, yielding a cumulative explained variance of 75.99%—sufficient to capture the underlying structure of composite food security. The linear weighted index is constructed as $FSI = \omega_1 \cdot PC1 + \omega_2 \cdot PC2 + \omega_3 \cdot PC3$, where the weights (proportional to each component's eigenvalue relative to the summed eigenvalues of the retained components) are $\omega_1 \approx 0.5345$, $\omega_2 \approx 0.2807$, and $\omega_3 \approx 0.1848$.

Table 4: Principal Component Eigenvalues and Variance Contributions

Component	Eigenvalue	Difference	Proportion	Cumulative
Comp1	3.2502	1.5419	0.4063	0.4063
Comp2	1.7083	0.5873	0.2135	0.6198
Comp3	1.1210	0.1945	0.1401	0.7599
Comp4	0.9265	0.3250	0.1158	0.8757
Comp5	0.6015	0.3682	0.0752	0.9509
Comp6	0.2333	0.1044	0.0292	0.9801
Comp7	0.1288	0.0984	0.0161	0.9962
Comp8	0.0305	—	0.0038	1.0000

The principal component score equations are as follows:

- $PC1 = 0.3090 \cdot Ades + 0.5011 \cdot Gi - 0.0312 \cdot Cpcgp - 0.0876 \cdot If + 0.5367 \cdot Pbdw + 0.4265 \cdot Pbhs + 0.3547 \cdot Ps - 0.2214 \cdot Gice$
- $PC2 = 0.1622 \cdot Ades - 0.1897 \cdot Gi - 0.0760 \cdot Cpcgp + 0.5821 \cdot If - 0.0454 \cdot Pbdw + 0.3717 \cdot Pbhs + 0.3547 \cdot Ps - 0.4564 \cdot Gice$
- $PC3 = 0.4119 \cdot Ades - 0.1272 \cdot Gi + 0.7191 \cdot Cpcgp + 0.2584 \cdot If + 0.0310 \cdot Pbdw + 0.0705 \cdot Pbhs + 0.1046 \cdot Ps + 0.4619 \cdot Gice$

Based on the composite score coefficients of the three retained principal components, the comprehensive food security index reduces to:

$$FSI = 0.269 \cdot Ades + 0.166 \cdot Gi + 0.059 \cdot Cpcgp + 0.153 \cdot If + 0.228 \cdot Pbdw + 0.110 \cdot Pbhs + 0.225 \cdot Ps - 0.034 \cdot Gice$$

Table 5: Principal Component Loading Matrix and Composite Score Coefficients

Variable	Comp1	Comp2	Comp3	Composite Score Coefficient
Ades	0.3090	0.1622	0.4119	0.269
Gi	0.5011	-0.1897	-0.1272	0.166
Cpcgp	-0.0312	-0.0760	0.7191	0.059
If	-0.0876	0.5821	0.2584	0.153
Pbdw	0.5367	-0.0454	0.0310	0.228
Pbhs	0.4265	-0.3717	0.0705	0.110
Ps	0.3547	0.4945	0.1046	0.225
Gice	-0.2214	-0.4564	0.4619	-0.034

Static Panel Regression Results

Five panel data models are estimated to systematically examine the effect of China's agricultural OFDI on the food security of ten ASEAN member states, while controlling for agricultural output, rural population, cropland resources, and trade openness. These models are: pooled OLS, random effects (RE), fixed effects (FE), time fixed effects (Time-FE), and two-way fixed effects (Two-way FE). The main regression results are reported in Table 6.

Considering the full set of regression results, the effect of agricultural OFDI on the FSI exhibits some instability across model specifications. In the fixed-effects model (FE), the coefficient on $\ln(\text{OFDI_agri})$ is positive and statistically significant at the 1% level ($\beta = 0.129$, $p < 0.01$), indicating that, after controlling for unobserved country-level heterogeneity, agricultural OFDI contributes positively to food security. However, in the two-way fixed-effects model (Two-way FE), the coefficient turns negative and loses statistical significance ($\beta = -0.151$), suggesting that the marginal effect of agricultural OFDI on food security may be susceptible to temporal shocks and cross-country structural heterogeneity.

Agricultural output ($\ln(\text{Prodagr}+1)$) exhibits a consistently significant negative effect across all specifications, with the coefficient reaching -3.238 in the Two-way FE model at the 1% significance level. This finding indicates that expansion of agricultural output volume does not necessarily translate into enhanced food security, and may reflect overexploitation

of resources, environmental degradation, or structural imbalances in the food production system. Rural population size ($\ln(\text{Rural_pop}+1)$) is positively and significantly associated with food security in the OLS and Time-FE models, but loses significance in the FE and Two-way FE models, suggesting that the apparent positive effect may reflect cross-country demographic heterogeneity rather than a genuine causal mechanism. Arable land area ($\ln(\text{Land})$) is consistently positive and statistically significant across all models, with a coefficient as high as 6.577 in the Two-way FE model, confirming that the adequacy of cropland resources is a robust and economically intuitive determinant of food security. With respect to trade openness (Openness), its effect is positive and significant in OLS and Time-FE, but becomes insignificant or reverses sign in RE, FE, and Two-way FE, indicating that its influence is moderated by country-specific policy orientations, agricultural trade structures, and food import dependency, and exhibits heterogeneous characteristics. In terms of model fit, the two-way fixed-effects model achieves the highest explanatory power ($R^2 = 0.550$), demonstrating that jointly controlling for country and year effects yields more robust estimates.

Table 6: Regression Results

Variable	(1) OLS	(2) RE	(3) FE	(4) Time-FE	(5) Two-way FE
$\ln(\text{OFDI_agri})$	0.009 (0.032)	0.076* (0.046)	0.129*** (0.033)	0.014 (0.034)	-0.151 (0.099)
$\ln(\text{Prodagr}+1)$	-0.241** (0.116)	-1.547* (0.819)	-2.665** (1.050)	-0.276*** (0.096)	-3.238*** (0.914)
$\ln(\text{Rural_pop}+1)$	0.349*** (0.098)	0.304 (0.261)	0.189 (0.109)	0.301*** (0.107)	0.183 (0.171)
$\ln(\text{Land})$	0.774*** (0.214)	2.577** (1.175)	5.436** (1.734)	0.814*** (0.183)	6.577** (2.026)
Openness	0.018*** (0.003)	-0.009 (0.010)	-0.009 (0.006)	0.016*** (0.003)	-0.191 (0.011)
Constant	-5.183** (1.553)	-10.292** (4.114)	-34.090** (13.635)	-6.122** (1.797)	-41.539* (18.895)
R^2	0.488	0.305	0.390	0.533	0.550
F	10.95	69.10	4.92	2.40	—

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

Overall, agricultural OFDI can, under certain conditions, significantly improve food security outcomes in ASEAN countries, but its effect is highly sensitive to model specification. Simultaneously, the negative relationship between agricultural output and food security underscores the importance of attending to the sustainability of high-productivity farming models, while cropland resources remain a consistently critical determinant of food security.

Panel Unit Root Tests and Dynamic Causal Analysis

To ensure the validity of the panel vector autoregression (PVAR) estimates, the stationarity of the two core variables—the food security index ($\ln \text{FSI}$) and agricultural outward FDI ($\ln \text{OFDI_agri}$)—was tested prior to estimation. Both the Im-Pesaran-Shin (IPS) panel unit root test and a Fisher-type augmented Dickey-Fuller (ADF) test were applied to the levels and

first differences of each variable. Results indicate that the level series contain unit roots; the null hypothesis that all panels contain a unit root cannot be rejected. After first-differencing, both variables become stationary at the 5% significance level. Specifically, the IPS Z-t-tilde-bar statistics for $d_{\ln FSI}$ and $d_{\ln OFDI_agri}$ are -5.2623 and -6.4992 , respectively, both far exceeding the critical values in absolute magnitude (Table 7).

Table 7: Panel Unit Root Test Results for FSI and AGRI-OFDI (IPS Method)

Variable	t-bar	t-tilde-bar	Z-t-tilde-bar
$d_{\ln FSI}$	-3.7980	-2.5993	-5.2623*
$d_{\ln OFDI_agri}$	-5.2853	-2.8731	-6.4992*

Fisher-type panel unit root tests were additionally applied to further confirm stationarity. As shown in Tables 8 and 9, the p-values for all Fisher statistics (P, Z, L*, and Pm) are 0.0000, strongly rejecting the null hypothesis of a unit root. The first-differenced series thus satisfy the stationarity requirement and are suitable for PVAR estimation.

Table 8: Panel Unit Root Test Results for FSI (Fisher Method)

Test	Statistic	Value	p-value
Inverse chi-squared(16)	P	52.9819	0.0000
Inverse normal	Z	-5.0250	0.0000
Inverse logit t(44)	L*	-5.1546	0.0000
Modified inverse chi-squared	Pm	6.5375	0.0000

Table 9: Panel Unit Root Test Results for AGRI-OFDI (Fisher Method)

Test	Statistic	Value	p-value
Inverse chi-squared(16)	P	61.9854	0.0000
Inverse normal	Z	-5.5536	0.0000
Inverse logit t(44)	L*	-6.0343	0.0000
Modified inverse chi-squared	Pm	8.1292	0.0000

PVAR Estimation and Granger Causality Analysis

The optimal lag length for the PVAR model was determined through a comprehensive comparison of the Akaike Information Criterion (AIC), Bayesian Information Criterion (BIC), and Hannan-Quinn Information Criterion (HQIC). As shown in Table 10, all three criteria are minimised at a lag order of four, which is therefore adopted as the optimal specification.

Table 10: Optimal Lag Order Selection

Lag	AIC	BIC	HQIC
1	3.43662	3.97966	3.65723
2	3.38741	4.06704	3.66316
3	3.52380	4.35235	3.85922
4	-0.03214*	0.96117*	0.36860*
5	-0.02953	1.14448	0.44181

The PVAR model is estimated by system-GMM, with lags 1 through 4 of each variable serving as endogenous instruments, to control for potential endogeneity and dynamic characteristics.

The estimation results indicate that lagged values of the food security index exert a significant positive effect on changes in agricultural OFDI: the first-order lag coefficient is 0.939, significant at the 1% level ($p < 0.001$), suggesting that improvements in food security substantially stimulate subsequent growth in agricultural OFDI. By contrast, lagged values of agricultural OFDI do not exert statistically significant effects on food security; the coefficient signs are unstable, revealing that the dynamic effect of agricultural OFDI on food security improvement is weak and inconsistent.

Table 11: PVAR Model Coefficient Estimates

Equation / Variable	Coefficient	Std. Err.	z	p > z	[95% Conf. Interval]	
Dep: h_d_lnFSI						
L1. h_d_lnFSI	0.0135	0.0079	1.71	0.087	-0.0020	0.0290
L1. h_d_lnOFDIagri	-0.0103	0.0147	-0.70	0.484	-0.0392	0.0186
L2. h_d_lnFSI	0.0520	0.0183	2.85	0.004	0.0162	0.0878
L2. h_d_lnOFDIagri	0.0171	0.0141	1.21	0.227	-0.0106	0.0448
L3. h_d_lnFSI	0.0370	0.0307	1.20	0.228	-0.0232	0.0972
L3. h_d_lnOFDIagri	0.0111	0.0119	0.94	0.349	-0.0122	0.0344
L4. h_d_lnFSI	-0.0068	0.0182	-0.37	0.708	-0.0424	0.0288
L4. h_d_lnOFDIagri	0.0143	0.0152	0.94	0.348	-0.0155	0.0441
Dep: h_d_lnOFDIagri						
L1. h_d_lnFSI	0.9394	0.1082	8.68	0.000	0.7274	1.1515
L1. h_d_lnOFDIagri	-0.2155	0.1109	-1.94	0.052	-0.4328	0.0018
L2. h_d_lnFSI	-0.1662	0.1508	-1.10	0.270	-0.4618	0.1294
L2. h_d_lnOFDIagri	0.0161	0.1251	0.13	0.898	-0.2291	0.2613
L3. h_d_lnFSI	-0.0272	0.5408	-0.05	0.960	-1.0872	1.0329
L3. h_d_lnOFDIagri	0.1596	0.0953	1.67	0.094	-0.0273	0.3464
L4. h_d_lnFSI	0.1404	0.2856	0.49	0.623	-0.4193	0.7001
L4. h_d_lnOFDIagri	0.0163	0.0840	0.19	0.846	-0.1483	0.1809

Granger causality tests provide further confirmation of these findings. Agricultural OFDI does not Granger-cause the FSI (Wald $x^2 = 1.678$, $p = 0.795$), indicating insufficient dynamic predictive power with respect to food security. Conversely, the FSI significantly Granger-causes agricultural OFDI (Wald $x^2 = 451.79$, $p < 0.001$), indicating that agricultural OFDI responds substantially to changes in food security conditions.

Table 12: Granger Causality Test Results from PVAR

Equation	Excluded Variable	x^2	df	Prob > x^2
h_d_lnFSI	h_d_lnOFDIagri	1.6777	4	0.795
h_d_lnFSI	ALL	1.6777	4	0.795
h_d_lnOFDIagri	h_d_lnFSI	451.79	4	0.000
h_d_lnOFDIagri	ALL	451.79	4	0.000

These results indicate that changes in agricultural OFDI primarily reflect a passive response to food security improvements, rather than constituting a key driver of food security outcomes. This dynamic causal structure is consistent with the pattern of an

insignificant OFDI coefficient in the fixed-effects regressions, and jointly characterises agricultural OFDI as exhibiting low explanatory power but high responsiveness with respect to the FSI.

Impulse Response Function Analysis

To further illuminate the dynamic adjustment paths between variables, impulse response functions (IRFs) were constructed from the PVAR model using a Cholesky decomposition, simulating the response of each variable to a one-standard-deviation shock over a 15-period horizon with 999 Monte Carlo replications. The results reveal that the response of agricultural OFDI to a shock from the FSI is small in magnitude, oscillating slightly around zero with confidence intervals that mostly encompass zero—indicating that the direct effect is statistically insignificant and lacks persistence. Conversely, the response of the FSI to a shock from agricultural OFDI displays a pronounced pattern of rapid initial increase followed by gradual convergence to a steady state: during periods 1 to 4, agricultural OFDI responds quickly and substantially to a positive shock from food security, before reverting progressively to steady-state levels. This pattern suggests that improvements in food security may significantly amplify the scale of agricultural OFDI allocation in the short run, while the long-run effect attenuates.

[Figure 1: Impulse Response Functions – to be inserted here based on Stata-generated IRF plots]

Synthesising the PVAR coefficient estimates, Granger causality tests, and IRF results, this study concludes that China's agricultural OFDI to ASEAN is not, in the current period, a primary driver of improvements in local food security. Rather, it manifests predominantly as a behavioural response to the food security improvement trend itself. Policymakers designing strategies for agricultural OFDI deployment and regional cooperation should therefore focus on strengthening the alignment of agricultural investment projects with local food systems, in order to realise more synergistic development outcomes.

CONCLUSIONS

This study constructs a composite food security index for ten ASEAN member states over 2000-2022 using PCA, drawing on three retained principal components, and systematically identifies the dynamic mechanisms linking China's agricultural OFDI (OFDI-agri) to the FSI by integrating static panel regression, panel vector autoregression, Granger causality testing, and impulse response analysis. Dynamic analysis reveals that improvements in food security constitute the key antecedent of agricultural OFDI expansion. Capital flows exhibit a pronounced pro-cyclical response pattern: host-country food security gains are followed by significant increases in agricultural OFDI, whereas the reverse pathway—investment driving food security improvements—finds no empirical support. This suggests that, in the current period, agricultural OFDI in ASEAN functions more as an adaptive feedback mechanism to regional food system resilience than as a strategic instrument for actively constructing it.

Arable land, as a foundational productive factor, consistently and positively underpins food security, confirming the applicability of resource endowment theory. By contrast, expansion of agricultural gross output is negatively associated with food security,

revealing a structural contradiction in which rising output does not necessarily translate into enhanced food security. This finding implies that an agricultural development paradigm focused solely on output growth may fail to deliver substantive food security gains due to systemic deficiencies including post-harvest losses, ecological constraints, and distributional imbalances.

The static regression results are highly sensitive to model specification, reflecting how the short-run effects of agricultural OFDI are easily disrupted by cross-country heterogeneity and temporal shocks. The instability of the estimated direction of effect suggests that, absent targeted institutional design, capital inflows alone are unlikely to serve as a reliable determinant of food security. This finding corroborates the dynamic analysis conclusions and together points to an institutional threshold governing the conversion of capital into food security outcomes. The effects of trade openness and rural population size exhibit significant country-level heterogeneity, highlighting the moderating roles of intra-regional development gradients and structural differences. This demands policy designs that move beyond one-size-fits-all approaches and instead establish differentiated intervention strategies tailored to each country's resource endowments and stage of development.

These findings underscore that China's agricultural investment in ASEAN member states exerts meaningful effects on their food security, and that food security must therefore be treated as a central consideration in regional agricultural development and trade liberalisation processes. Three policy recommendations follow. First, while consolidating domestic food security guarantees for staple grains, China should dynamically monitor global food market fluctuations and harness dual domestic-international circulation mechanisms to integrate resources and markets across both spheres. Second, a multilateral food security governance network should be constructed, deepening supply chain resilience cooperation with ASEAN and diversifying food import channels across crop types. Third, China should actively participate in the modernisation of food procurement and circulation systems in developing countries, thereby strengthening its influence over rule-setting and its voice in global food and agricultural governance.

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