Anonymous – Referee Report 2

May 05, 2020.

General comment:

This paper propounds an empirically study about the nexus between the financial development (FD) and foreign direct investment (FDI) in China. To achieve that purpose, the authors use time-series techniques to establish the existence of causality. The results show a positive bidirectional causal relationship both in the short and in the long run.

I consider that the topic selected has a certain academic interest. Econometric methodology applied is appropriate and suitable to address the objective set out by the writers. Nevertheless, in my opinion, the paper in its current state should be rejected because of grammatical errors and, to a lesser extent, the lack of content in section 2 and conclusions.

Specific comments:

1st) Section 2 is rather incomplete. The authors carry out an overview of FD in China. However, since the objective is to analyze the relationship with FDI, they should also review the existing economic literature on that variable and their connection.

2nd) Another issue to consider is the careless way in which the article is written. Unfortunately, there are multitude of examples:

- I have not found in the text the analysis time span dates or the number of observations.
- Abbreviations like "MNCs" or "MNC's" are not defined.
- The authors tend to repeat too many times the same words or expressions, very close between them or even in the same paragraph, e.g., "In the next step" (p.14), "consist of" (p.2 & 3) or "create" (p.7).
- Most of the times, abbreviations are placed before variables have been defined which is quite misleading (e.g.: FDI, FD, or variables included in table 1).
- Some figures do not include the (I guess) thousands separator (e.g.: p.10).
- The criteria for citing works written by other authors in the text, is not homogeneous (e.g.: p.11 Laurenceson James; Chai C.H. Joseph or p.16 Kevin Honglin Zhang).
- I think that there is a lost word in a sentence in p.3, line 1: "*The empirical literature shows that financial is affected…*" I suppose that the authors refer to FD.

3er) Although little attention has been paid to the link between FD and FDI, in recent years we can find several works about this topic. I miss a comparison of the empirical results reached by the authors with other similar works, for instance, in MENA countries or other Asian regions, that can be used like a benchmark for underdeveloped financial markets.

4th) Finally, it is somewhat disappointing that, after all the good econometric work, the authors do not pay attention to the impact of the control variables on the FD and FDI. If they did, it would be enriching and provide a major added value to the paper.

In summary, it is true that many mistakes can be easily correct but, from my point of view, grammar style requires a deeper review and the paper should make a better use of empirical research results in order to enhance the conclusions.