Comments by Guy Liu, **on The End of Cheap Labor: Are Foreign Investors Leaving China?**

Guy Liu: The paper studies the effect of changing labor costs on attracting FDI in China and its neighboring countries. On the basis of combined data from both WDI and *China Statistical Yearbooks*, the study applied a spatial panel model to look at the issue, and found that the wage effect has been negatively affecting China's competitiveness in attracting FDI.

As the paper highlights, the negative effect of a wage increase on FDI has been widely reported, and this finding does not conflict with the current view in literature but enhances the argument of the negative wage effect on FDI.

The estimation is acceptable but not robust because of the following:

(1) There is not much discussion on how endogeneity could possibly contaminate estimation and its measures to prevent the possible effect. For instance, GDP and FDI may be interacted simultaneously.
(2) The negative effect of GDP size on FDI has no explanation at all from both a theoretical aspect and empirical aspect. The negative effect may be caused by multicollinearity between variable in estimation or by endogeneity problem, in which case this is required to be addressed.
(3) Further, the definition of wage variable should be made clear: the wage rate, not a wage bill.
(4) It would be helpful from the robustness aspect to consider use of the growth rate variable of FDI explained by the existing variables, or growth of wage rate and growth of GDP, to see if the estimation results can be consistent.

The paper's critique in questioning existing policy of the government and existing literature is a bit weak. It would be helpful for the paper if this can be improved.

doi:10.1162/ASEP_a_00623