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Public Policies and FDI Location: Differences between Developing and Developed Countries

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Abstract: Host country government officials in developing and developed countries alike would like to know the impact of their public policies on foreign investment in their countries. Unfortunately, the literature does not provide a single view, and there are likely to be differences between developing and developed countries. This paper examines the impact of three host country government policies on the host's FDI stock: taxation, good governance, and infrastructure. We focus on whether the impact of these factors on FDI differs depending on the level of development of the host country. The regression results indicate that FDI is sensitive to host country taxation in developed countries, but not in developing countries; FDI is sensitive to host country governance measures and corruption in developing countries but not developed; and FDI shows sensitivity to host country infrastructure quality in both developed and developing host countries.

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I. Introduction

Foreign direct investment (FDI) can provide a number of benefits to countries that need capital including higher growth, greater exports, higher wages, and greater productivity through technology spillovers to local firms. While the evidence of the impact of FDI is somewhat mixed,¹ government officials in developing and developed countries alike would like to know the impact of their public policies on foreign investment in their countries. Unfortunately for government officials, the literature does not provide a single view. This is in part because the literature on the impact of policies on FDI has taken place in at least four sub-disciplines within economics (public finance, international economics, development economics, and regional economics). In addition, Blonigen and Wang (2004) argue that there is good reason to think that host country public policies have different effects depending on the level of development of the host country. This paper examines the impact of a host country's public policies on its FDI stock, with particular emphasis on the development level of the host country.

We begin with a brief review of the literature. The public finance literature has focused on taxation and generally finds significant tax effects, though the estimated elasticity varies significantly depending on the data set used and whether the study is cross-sectional or panel. This literature starts with a set of papers from the 1980s, including Hartman (1984), Boskin and Gale (1987), and Young (1988). These papers use a time series of aggregate BEA data and find significant effects of taxation on FDI with

¹ Lipsey (2002) surveys this literature and finds that the evidence indicates that FDI increases exports, sometimes increases growth (especially in developing countries with export promotion policies), has a somewhat ambiguous impact on local wages, and also has an unclear impact on technology spillovers to local firms.

an elasticity of about -0.6. Others, such as Swenson (1994) find significant effects when disaggregating the data by industry. A second set of studies, such as Hines and Rice (1994) and Grubert and Mutti (1991), use the cross-sectional breadth of the BEA data to examine FDI across countries for a given year. These studies also find significant effects, though with more variation in the point estimate of the effect of taxes. A third set of studies uses firm-level data, usually in a panel. Studies such as Auerbach and Hassett (1993) and Cummins and Hubbard (1995) use Compustat data, Ondrich and Wayslenko (1993) use a Commerce Department survey, and Altshuler, Grubert, Newlon (2001) use U.S. Treasury data. Hines (1996) also uses a panel, but exploits state-level tax differences using BEA data. All these studies also find significant effects of taxation, but with a wide range of elasticity estimates.

In the international literature, Wheeler and Mody (1992) conducted an early and influential study of foreign investment determinants and found that agglomeration – measured by infrastructure quality – is an important determinant while taxes are not a significant determinant. An alternative interpretation is that infrastructure quality measures government investment spending since roads and many forms of infrastructure are in fact publicly provided. A more recent study by Cheng and Kwan (2000) examines FDI in China and finds a positive impact of infrastructure, but they do not include a tax measure.²

² There is also a literature in development economics that examines FDI flows. For instance Loree and Guisinger (1995), Kumar (2001), and Asiedu (2002) study the impact of infrastructure on FDI flows. A recent study by Dollar et al. (2004) uses a firm-level data set for eight countries to estimate the effect of some "investment climate" indicators (days to clear goods through customs, days to get a telephone line and sales lost to power outage) on FDI flows. Their study is cross-sectional in nature and they find that FDI is larger in those countries where these indicators are better.

The idea that government spending and investment decisions as well as taxes influence location decisions is a central theme of studies that examine regional or within-country location of mobile factors and is embodied in Tiebout (1956) models of location. The basic insight is that owners of mobile factors of production consider the benefits from government spending as well as the costs of taxation in location decisions.³ The logic of this argument suggests that government spending that is beneficial to investors (such as public investment in infrastructure for foreign investors) should have positive effects on FDI in a region.

Other papers in public finance have started to incorporate spending as well as taxes. For instance, Buettner (2002), looks at bilateral FDI flows within Europe and finds that while the marginal tax burden and the statutory tax rate have strong effects, the effects of public expenditures (including indicators of public spending in general and rankings of competitiveness related to public sector activities) are weak. Bénassy-Quéré et al. (2007) examine the impact of taxes on FDI by regressing U.S. foreign direct investment in 18 European Union countries over 1994-2003 on several variables, including the corporate tax rate and the stock of public capital, used as a proxy for public input. These authors find a dominant role for the tax factor. Mutti and Grubert (2004) examine multinational affiliate production and find that sensitivity to taxes is more pronounced in high-income countries, suggesting that “they offer better infrastructure, agglomeration benefits, or a uniquely attractive market opportunity.” (p. 357)

Recently, a literature has arisen within public finance that recognizes that an important factor affecting FDI location is institutions that provide a good environment for

³ A recent review of many aspects of this literature is found in Oates (1999); for some recent empirical work in this area see Buettner (2002).

conducting business. The level of corruption is one measure of the business environment and Wei (2000a, 2000b) has carefully studied this aspect. He finds significant negative effects using several definitions of corruption. Dharmapala and Hines (2009) document the importance of good governance for tax havens, and find that taxes affect US FDI in well governed but not poorly governed countries, a result that is strikingly similar to our results with respect to taxes. A recent OECD working paper, Hajkova, Nicoletti, Vartia, and Yoo (2006) finds that government policies other than taxes are important determinants of FDI location in OECD countries.

It seems to us possible to resolve some of the conflicting results across the literature by considering the possibility that the stock of FDI in developing and developed countries may respond differently to various public policies. This is the empirical question to which we turn in this paper. We offer some common sense arguments that suggest that this question is theoretically interesting and worthy of empirical investigation. Perhaps most obvious is the case of good governance. While most developed countries already have a high level of laws, customs and institutions that create a good governance environment, the same cannot be said for most developing countries. Thus, if one accepts the premise that good governance attracts FDI, diminishing marginal returns to governance suggests that a marginal improvement for developing countries would have a bigger impact on FDI than for developed countries. A similar argument can be made for infrastructure. Developed countries often have good infrastructure while developing economies do not. Again, if one accepts the premise that good infrastructure attracts FDI, diminishing marginal returns to infrastructure suggests that additional investment in infrastructure might have a bigger impact in developing countries than

developed countries. The case of taxation is perhaps the most complex. Taxes can be avoided on a variety of margins from changing the level of FDI directly to other more subtle methods such as transfer pricing and routing repatriations through several countries. In addition, the tax regime of the source country can also impact the effect of taxes; for instance a worldwide taxation system for the source country implies little impact for destination countries with tax rates lower than the source country. Differences in tax enforcement abilities of developing and developed countries could lead to differences along one or more of these margins and hence to differences in the impact of taxes on FDI. Our goal is not to investigate the validity of each of these avenues (though this would be an interesting topic for future research); our goal is the more modest one of testing whether FDI responds differently to tax and other public policies in developing and developed countries.

To summarize, in this paper we empirically examine the impact of a country's public policies on the stock of its FDI. Our focus is on differences between developing and developed countries. We test for those differences along three public policy dimensions: taxation, infrastructure, and good governance. Our findings indicate that the stock of FDI is sensitive to host country taxation in developed countries, but not in developing countries; FDI is sensitive to host country governance measures and corruption in developing countries but not developed; and FDI shows sensitivity to host country infrastructure quality in both developed and developing host countries.

The rest of the paper is organized as follows. In section II we present our data. In section III we discuss our estimation results. Section IV concludes.

II. Data Description

Our main objective is to estimate and compare the impact of a host country's taxation, infrastructure quality, and governance quality on its stock of FDI, testing for differences between developing and developed countries. To do this we will use a panel data set with a dummy for the type of country (developing or developed). The dummy is interacted with our main variables of interest (taxation, infrastructure, and good governance) to test whether there are marginal differences between developed and developing countries. We, of course, will control for other well-known determinants of FDI.

We will use two different measures of FDI for our dependent variable. Our first measure is an aggregate measure of the stock of FDI of country i in year t , and comes from UNCTAD (United Nations Conference on Trade and Development). This measure aggregates together the FDI stock coming from all countries. Our second measure uses OECD bilateral data on the FDI stock of destination country i in year t coming from OECD source country j . This disaggregates substantially the aggregate measure of UNCTAD and gives us a much larger number of observations and degrees of freedom. In both cases we use the log of the relevant FDI stock measure in our regression analysis. The independent variables, described below, are the same for both datasets (except for a dummy variable for the source country that we use in our analysis of the OECD data).

Our three main policy variables are taxes, infrastructure quality, and governance quality. These variables present some measurement challenges. Our tax variable is computed as the minimum of: (i) the effective tax rate faced by the firm calculated using

data from the Bureau of Economic Analysis (BEA),⁴ and (ii) the statutory tax rate from data from the Office of Tax Policy Research (OTPR). The idea of this variable is that the statutory tax rate may be too high because of depreciation allowances, tax holidays, and so forth that are granted by the host country. The effective tax rate we use – (i) above - is a simple measure of foreign taxes paid in country *i* divided by profits; if it is lower than the statutory rate, we take this measure which helps to more accurately reflect the true tax burden. This measure is also used by Hines and Rice (1994) and Dharmapala and Hines (2009). (King-Fullerton effective rates are another possible measure but are unavailable for most developing countries.) We also lag our tax variable to try to correct for any endogeneity.

For our second main policy variable, the quality of infrastructure, we present the results from two measures. The first measure that we use for infrastructure quality is a general ranking computed by the World Bank and it is based on data from the IMD World Competitiveness Yearbook. It is one of the four main factors used in constructing the overall world competitiveness ranking indices from the IMD World Competitiveness Yearbook. The infrastructure ranking is a consolidation of five sub-factors (which are constructed from 110 relevant criteria) and highlight every facet of overall infrastructure condition, including basic infrastructure (roads, other transportation infrastructure, health infrastructure, and others), technological infrastructure (telecommunications, computers, and so forth), energy self-sufficiency, and environmental infrastructure (waste treatment and so forth). The ranking is such that a higher number implies a lower infrastructure

⁴ The effective tax rate is calculated as the ratio $((\text{foreign income taxes})/(\text{foreign income taxes} + \text{net income}))$ of all affiliates for U.S. firms operating in each country abroad and for each year. This is a proxy variable as we do not expect that the taxes paid abroad by the U.S. multinationals to be identical to the taxes paid by other multinationals.

quality. To ease interpretation, we subtract the actual ranking from 50 in our regressions so that a higher number implies better infrastructure.

Though constructed with care, some might object to the fact that this measure of infrastructure is a ranking. We therefore also use a second measure of infrastructure, the number of telephone mainlines (telephone lines connecting a customer's equipment to the public switched telephone network) per 1,000 people for the entire country. This measure is obtained from the World Development Indicators (WDI) of the World Bank.

Our third policy variable of interest is a measure of good governance. We again present results from two measures of good governance. The first is a measure of corruption, the “Corruption Perception Index” from Transparency International. This index is one that is commonly used (one of the measures used by Wei (2000a, 2000b) for instance) and is the measure that we can find that has the most coverage for the countries in our sample. This index ranges in value between 0 and 10. It uses a higher number for less corruption so in our empirical work we subtract the index from 10 in order to ease the interpretation.

We also analyze a second broader measure of good governance, a ranking of government efficiency from the IMD Competitiveness Yearbook. This is a very broad measure that includes information on five areas: public finance, fiscal policy, institutional framework, business legislation, and societal framework. Among the variables used to analyze the institutional framework part of the measure is corruption.

Our other control variables include the unemployment rate, population, GDP, and exports; this last variable, exports, is lagged to try to correct for potential endogeneity. These variables have been consistently found in the past literature to be determinants of

FDI. The unemployment rate controls for business cycle effects. Population is a proxy for market size, which other things equal should attract more FDI. Exports control for the openness of an economy. Holding population constant, GDP is a measure of wealth and can be roughly interpreted as controlling for the return on investment or marginal product of capital. Generally, poorer countries lack capital and hence should be expected to have a higher return on investment than wealthier countries, other things equal, which implies an inverse relationship between GDP and FDI.

We should note that observations for the three main policy variables (the tax rate, the infrastructure index, and the corruption index) are available for varying numbers of years and countries. In all, 53 (25 developing and 28 developed) countries are covered for the tax rate for the years 1984 to 2002; 47 countries for the corruption index for 1995 to 2002; and 37 countries for the infrastructure index for 1996 to 2002. We limit our regressions to include countries and years for which all relevant information is available. The list of the countries covered, missing data, definition of the variables, data sources, and summary statistics are presented in Tables A-1, A-2, and A-3 in the Appendix.

III. Empirical Analysis and Estimation Results

This section analyzes the correlation between the pattern of host country FDI stocks and host country policy variables. As mentioned above, we have two measures of FDI stock, one an aggregate measure from UNCTAD, and the other the bilateral stock from the OECD. As this is our dependent variable, we have constructed two datasets

which we will analyze sequentially. We begin by analyzing the aggregate FDI data from UNCTAD.

A. Analysis of UNCTAD aggregate FDI data

A very rough way to begin our examination is to divide our host countries into developing and developed groups, then divide each of these groups in two again according to whether the relevant policy variable (tax rate, infrastructure index, corruption index) is high or low (defined relative to the median of each group). We can then compare the average FDI stock for high and low values of our policy variables within the developing country category, and similarly for developed countries.

The results of this exercise are shown in Charts 1, 2, and 3 for the year 1996. Chart 1 shows average host country FDI stocks for high- and low-tax developed countries, and average host country FDI stocks for high- and low-tax developing countries. A clear inverse relationship emerges for each group: low-tax developed countries have on average greater FDI stocks than high-tax developed countries. Similarly, low-tax developing countries have on average greater FDI stocks than high-tax developing countries. Chart 2 shows average host country FDI stocks for high- and low-corruption developed countries, and average host country FDI stocks for high- and low-corruption developing countries. Again a clear inverse pattern is observed: low-corruption developed countries have on average greater FDI stocks than high-corruption countries, and similarly for developing countries. Chart 3 presents average host country FDI stocks for high- and low-infrastructure quality for developed and developing countries. The inverse relationship is evident for developed country hosts – high-

infrastructure quality hosts have higher FDI stocks than low-infrastructure hosts for developed countries. The relationship for developing countries appears flat for 1996.

The results in the charts above are suggestive and we next move to our regression analysis. We start with very basic regressions for each of our main variables. We first regress the log of FDI on each of our policy variables separately with the only additional variables a developed/developing dummy and an interaction term. This gives a first look at the explanatory power of each policy variable in a regression framework, and the different impact of the policy variables on developed and developing countries. We then add additional control variables and year dummies and again focus on differences in the coefficients and significance of our policy variables for developing and developed countries. Our general specification is thus:

$$(1) \quad \text{Log FDI}_{it} = \alpha_0 + \alpha_1 \text{Dev_Dum}_i + \alpha_2 \text{Year_Dum}_t + \sum \beta_m \text{PolicyVar}_{mit} + \sum \gamma_m \text{PolicyVar} * \text{Dev_Dum}_{mit} + \sum \phi_n \text{Controls}_{nit} + u_{it}$$

where FDI_{it} is the stock of FDI in country i in year t , Dev_Dum_i represents a developing/developed country dummy, Year_Dum_t represents a year dummy, PolicyVar_{mit} represents policy variable m (where m = tax variable, governance variable, infrastructure variable as discussed above), and Controls_{nit} represents control variable n . The semi-log specification implies a non-linear, exponential relationship between the stock of FDI and the explanatory variables. We should mention here that the pooled nature of the data can create a downward bias in the standard errors due to repeated cross-sections (and leading to unwarranted significance of coefficients). We therefore present clustered standard errors, which allows for an arbitrary correlation in the errors of the cluster (countries in our case) for all our regressions.

Tables 1a, 1b, and 1c show the results of our first basic regressions with only our policy variables (each included separately), a developed/developing dummy, and an interaction term. Column 1 of each table shows the regression with a constant, the policy variable, and a developing/developed country dummy. Column 2 shows the interaction term when the developing country takes a value of zero for the dummy variable and column 3 show the results when the developed country takes a value of zero. We follow this presentation method because it eases interpretation, and we offer a short explanation here. Obviously the coefficient of the interaction term in column 3 will be the negative of the interaction term in column 2. We show the results in this way in order to present the correct standard error along with the coefficient of the developing and developed groups. Since the developing country dummy is zero in column 2, the coefficient on the policy variable of column 2 presents the correct estimate and standard error for developing countries. The developed country dummy takes on a value of zero in column three. Hence, the coefficient of the policy variable in column three presents the correct estimate and standard error for the developed country.

Table 1a focuses on the tax variable. The first column indicates a negative and highly significant coefficient for the tax variable and the developing/developed country dummy, which is consistent with previous literature. The more interesting results are in the second and third columns. The coefficient in the second column indicates that the tax variable is insignificant for developing countries, while the third column indicates a significant coefficient for developed countries, and a much larger marginal effect (more than twice as big) than for column one. This basic regression thus suggests that our tax measure is an important influence on FDI in developed countries, but not for developing

countries. This is of course preliminary as there are few controls, but this result will continue to hold in our later specifications.

Table 1b focuses on the corruption variable. The sparse regression results fail to show significance for this variable, though the negative sign indicates some weak negative correlation between the level of corruption and the stock of FDI. The developing/developed dummy is significant, however, indicating some difference in the intercept of the relationship. We do not find any slope difference between developing and developed countries for this policy variable.

Table 1c repeats the exercise for the infrastructure index variable. The first column indicates a positive but marginally insignificant (t-stat of 1.45) effect of infrastructure quality on a country's stock of FDI. As with the corruption variable, columns two and three suggest no difference in slope coefficients between developed and developing countries. The developing/developed dummy is not significant in these regressions.

Figures 1a, 1b, and 1c plot the simple regression lines and can be used to summarize the sparse regression results. These figures illustrate the regression results visually. It is easy to see the significant relationship for the tax variable for developed countries and the insignificance of the relationship to developing countries in Figure 1a. The intercept difference between developing and developed countries for the corruption variable is evident in Figure 1b, as is the insignificance of the slope coefficient. Figure 1c illustrates the lack of intercept difference between developed and developing countries for the infrastructure variable, though there appears to be a small positive slope.

However, we have seen that this slope is marginally insignificant in the sparse regressions.

Table 2 adds a number of control variables to our Table 1 specification and also analyzes our alternative measures for good governance and infrastructure. We add the unemployment rate, population, GDP, lagged exports, and year dummies as control variables. These variables greatly improve the R^2 relative to the sparse regressions. Since the sparse regressions showed significance only for the interaction term of the tax variable, we do not present the results from interactions with the other policy variables at this point. The first two columns continue to show that the marginal effect of taxes differs between developing and developed countries. Column 1 shows insignificance of the tax variable for developing countries and column 2 indicates a significant effect for developed countries. The remaining columns give somewhat mixed results for our other public policy measures. Column 3 indicates insignificance for our corruption measure, but column 4 indicates that the broader efficient governance measure is significant. The last two columns indicate significance for our infrastructure ranking measure but insignificance for our mainland telephone measure of infrastructure. We also note that when our developing/developed dummy is significant our governance and infrastructure measures tend to be insignificant (columns 3 and 6) and vice-versa (columns 4 and 5). This suggests that we may be having difficulty distinguishing between bad governance or bad infrastructure and a developing country, which might be improved with more disaggregated data (to which we turn in the following sub-section).

Table 3 investigates whether the slope coefficient with respect to our two significant nontax variables (the broader governance measure and the infrastructure

ranking) differs between developed and developing countries. (Our two insignificant measures – corruption and telephone mainlines – show no slope differences in other unreported regressions.) Columns 1 and 2 indicate no difference with respect to the infrastructure measure, while columns 3 and 4 indicate significance for developing countries for the governance ranking measure, but no significance for developed countries.

To summarize, the results thus far indicate that taxes are an important determinant of FDI for developed countries, but have little or no effect on the location of FDI for developing countries. The evidence is mixed with respect to governance and infrastructure. There is some weak evidence that bad governance or infrastructure reduces FDI though we have some difficulty distinguishing this explanation from other uncontrolled aspects of developing countries. We do not find evidence of different marginal effects between developing and developed countries for either of our infrastructure measures or for corruption, though the broader governance ranking measure indicates significance for developing but not developed countries. We will leave further interpretation of the coefficients for the regressions using the OECD bilateral FDI data.

B. Analysis of bilateral OECD FDI data

We next turn to our more disaggregated dataset. We will follow the format of our analysis above for the aggregate UNCTAD data, starting with the sparse and basic regressions for each of our main variables. Our general specification for the bilateral data is almost identical to (1) above:

$$(2) \quad \text{Log FDI}_{ijt} = \alpha_0 + \alpha_1 \text{Dev_Dum}_i + \alpha_2 \text{Year_Dum}_t + \alpha_3 \text{Source_Dum}_j \\ + \sum \beta_m \text{PolicyVar}_{mijt} + \sum \gamma_m \text{PolicyVar} * \text{Dev_Dum}_{mijt} + \sum \phi_n \text{Controls}_{nijt} + u_{ijt}$$

where FDI_{ijt} is the stock of FDI in destination country i coming from source country j in year t , Dev_Dum_i represents a developing/developed country dummy, Year_Dum_t represents a year dummy, Source_Dum_j represents a dummy for the source country, PolicyVar_{mijt} represents policy variable m (where $m =$ tax variable, governance variable, infrastructure variable as discussed above), and Controls_{nijt} represents control variable n . The only difference with our earlier specification is that we include a source country dummy for FDI since we are using bilateral data here. The semi-log specification implies a non-linear, exponential relationship between the stock of FDI and the explanatory variables. Again the pooled nature of the data can create a downward bias in the standard errors due to repeated cross-sections (leading to unwarranted significance of coefficients). We therefore present clustered standard errors, which allows for an arbitrary correlation in the errors of the cluster (source-destination pair in our case) for all our regressions.

Tables 4a, 4b, and 4c show the results of our first basic regressions with only our policy variables (each included separately), a developed/developing dummy, an interaction term, and a source country dummy. Table 4a indicates that the tax variable is significant for both developing and developed countries, but that the marginal effect is much larger for developed countries. Table 4b indicates marginal significance for the corruption variable in column 1 (t-stat of 1.61), but no difference in the slope coefficient for developing relative to developed countries. Table 4c indicates a marginally

insignificant coefficient for our infrastructure quality index (t-stat of 1.45) and no difference in the slope coefficient between developing and developed countries.

Table 5 adds to the table 4 specifications our control variables (the unemployment rate, population, GDP, lagged exports, and year dummies) and also analyzes our alternative measures of good governance and infrastructure. For the moment, we follow our previous Table 2 analysis of the UNCTAD data in Table 5. The first two columns indicate that our tax variable is significant and negatively related to FDI location for developed countries but not developing countries. The coefficient for developing countries is both very low and insignificant. This mirrors the interesting asymmetry between developing and developed countries with respect to the tax variable that we documented for the UNCTAD data. The third column indicates that greater corruption significantly lowers FDI. The fourth column finds significance for our broader measure of governance: the less well governed is a country, the lower is a country's FDI stock. The fifth column finds that a higher infrastructure quality rating is a significant determinant of a higher FDI stock. The sixth column indicates a significant and positive relationship between our mainland telephone measure of infrastructure and a country's FDI stock. The bilateral OECD data thus shows results similar to the UNCTAD data with respect to the tax variable, but indicate significant impacts of our corruption variable, our broader measure of governance, the infrastructure quality measure, and the narrower measure of infrastructure, telephone mainlines. All of the reported standard errors of the regressions are clustered by source-destination country pair.

Given the high significance of our nontax variables using the OECD bilateral data, we investigate further whether these measures suggest any marginal differences

between developing and developed countries. Table 6 does this for our corruption measure (columns 1 and 2) and the broader governance ranking (columns 3 and 4). We follow our previous presentation method: we define our dummy variable to be zero for developing countries in the first column of the pair and zero for developed countries in the second column of the pair. Thus, the coefficient for the relevant policy variable (with the correct standard error) is that of developing countries in the first column and developed countries in the second column of the pair. We can see from column 1 of Table 6 that the corruption index is negative and significant for developing countries and from column 2 that it is negative but insignificant for developed countries. Similarly, column 3 indicates that the broader governance measure is negative and significant for developing countries, and column 4 indicates that it is insignificant for developed countries. Standard errors in all these regressions are clustered by destination-source country pairs.

Table 7 repeats this exercise for our infrastructure ranking measure and the narrower infrastructure measure of telephone mainlines. The coefficient for infrastructure ranking in Column 1 of Table 7 indicates that greater infrastructure quality increases FDI stock for developing countries, while Column 2 indicates a much smaller and insignificant coefficient for developed countries. Columns 3 and 4 show the results for our other measure of infrastructure, telephone mainlines. Both columns 3 and 4 indicate significant coefficients for this infrastructure measure with little difference in the coefficient.

It is useful to interpret the coefficients at this point. Consider first the tax variable. The coefficient with respect to developed countries from Table 5 is $-.0364$ (the

coefficient for developing countries is not significantly different from zero). Converting this to an elasticity (and evaluating at the mean value of the developed countries in the sample) yields -0.93. Thus, a one percent increase in the tax rate lowers FDI stock by 0.93 percent for developed countries (a result within the range of estimates from other studies), but is not significantly different from zero for developing countries.

Next consider the interpretation of the corruption perception index and governance efficiency ranking measures from Table 6. The coefficient for the corruption perception index is -0.0743 for developing countries and insignificant for developed countries. Converting this to a (unit free) elasticity and evaluating at the mean value of developing countries yields -0.48. Thus an increase in the corruption perception index by ten percent, from the developing country mean of 6.5 to 7.1 (or from a country with a corruption index like Costa Rica to a country with a corruption index like Columbia), implies a reduction in FDI of about 4.8 percent. (Recall that we have converted the TI index by subtracting it from 10 so that a higher index number implies greater corruption in our transformed data.) The governance efficiency ranking coefficient, which is significant for developing and insignificant for developed countries, can be interpreted in a similar way. First, we convert the developing country coefficient of -0.0236 to a unit free elasticity; evaluating at the mean for developing countries yields -0.67. Thus, an increase of ten percent in the governance efficiency ranking (a worsening of governance), from the developing country mean of 28 to 31 (or from a country like Mexico to one like Brazil) implies a reduction in FDI of about 6.7 percent.

Finally, consider the interpretation of the infrastructure ranking and telephone mainline measures from Table 7. The infrastructure ranking measure is significant only

for developing countries; it is insignificant for developed countries. For developing countries, the coefficient is 0.0187. Converting this to an elasticity evaluated at the mean for developing countries yields 0.24. Thus a ten percent increase in the infrastructure ranking (recalling that we have subtracted the actual ranking from 50 for better interpretation), from the developing country mean of 12.6 to 14 (or from a country like Indonesia to one like South Korea) increases FDI by about 2.4 percent. The telephone mainline coefficient from Table 7 is significant for both developing and developed countries. For developing countries the coefficient is 0.00204. Converting this to an elasticity evaluated at the developing country mean yields 0.26. For developed countries the coefficient is 0.00238 and the elasticity evaluated at the developed country mean is 1.26. Thus, an increase of ten percent in telephone mainlines in a developing country is estimated to increase FDI by 2.6 percent, while an increase of ten percent in telephone mainlines in a developed country is estimated to increase FDI by 12.6 percent.

IV. Conclusion

Being able to attract foreign direct investment is an important part of the growth strategies of developed and developing countries alike. There are various policies that governments may implement to become more attractive to foreign investors ranging from granting a more favorable tax regime to building new infrastructure capacity to improving governance institutions. A fundamental motivation for this paper is that country government officials everywhere would like to know the answer to this basic question: what are the most effective policy measures I can take to attract foreign investment to my country? The answer to this question may not be the same for

developing and developed countries. The literature to date has not directly addressed this question and has not always considered that the answers can be different for developing and developed countries.

In this paper we examine the impact of a country's public policies in the areas of taxation, infrastructure, and good governance on the stock of its FDI. In the analysis we allow for differences in the response of FDI between developing and developed countries. Our findings indicate first that the stock of FDI is sensitive to host country taxation in developed countries, but not in developing countries. This is an interesting result and the exact reason for this is something of a puzzle. It is similar to a result in Dharmapala and Hines (2009) who find that taxes affect US FDI in well governed but not badly governed countries. While beyond the scope of our current study, this is an issue well worth investigating further in future studies. Second, both our governance measures (the corruption index and the broader efficient governance ranking) indicate that FDI is sensitive to the host country measure in developing countries but not developed ones. Third, our infrastructure ranking measure indicates that FDI is sensitive to the host country ranking in developing countries but not developed, and the alternative mainland telephone lines measure indicates sensitivity for both developed and developing countries, with a higher elasticity in developed countries.

Thus, an important implication of our findings is that in order to be more effective in attracting FDI, government officials in developing countries should pay more attention to policy programs aimed at improving governance institutions and public infrastructure and, at the same time, de-emphasize imitating the taxation policies of developed countries regarding FDI. These countries would do better to address the more fundamental

institutional governance and infrastructure issues. Developed countries on the other hand should pay more attention to taxation issues and also provide good infrastructure to attract FDI.

Chart 1 Tax Rates and FDI Stocks, 1996

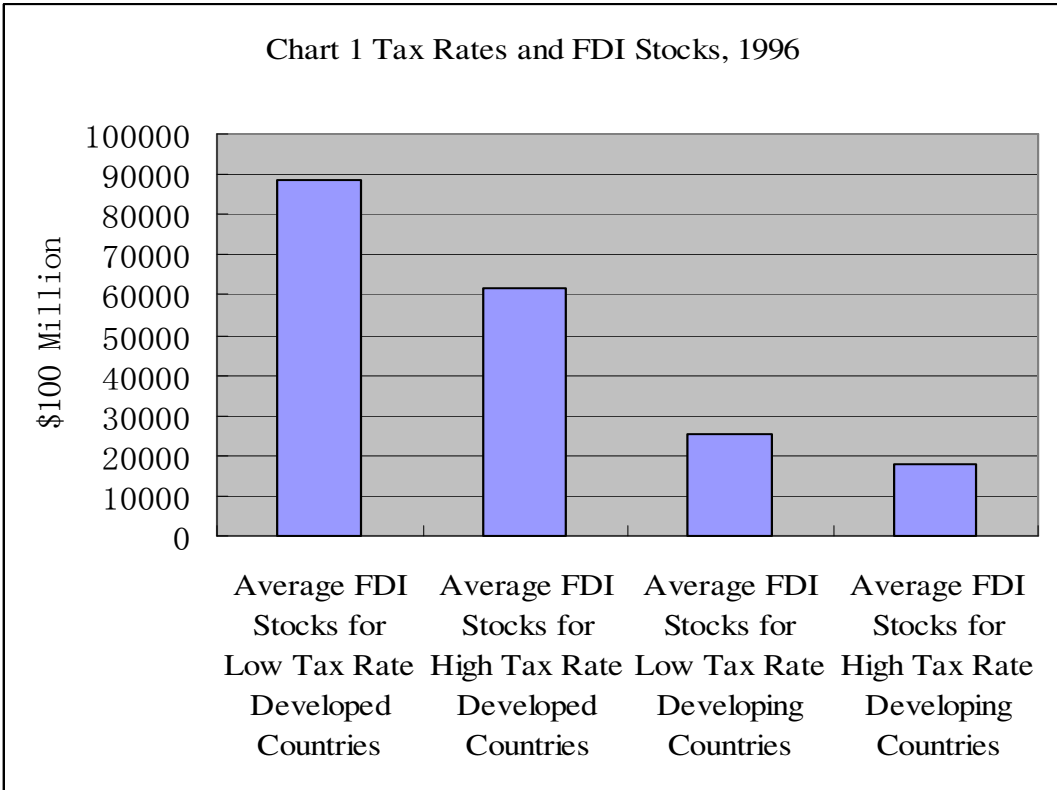


Chart 2 Corruption Index and FDI Stocks, 1996

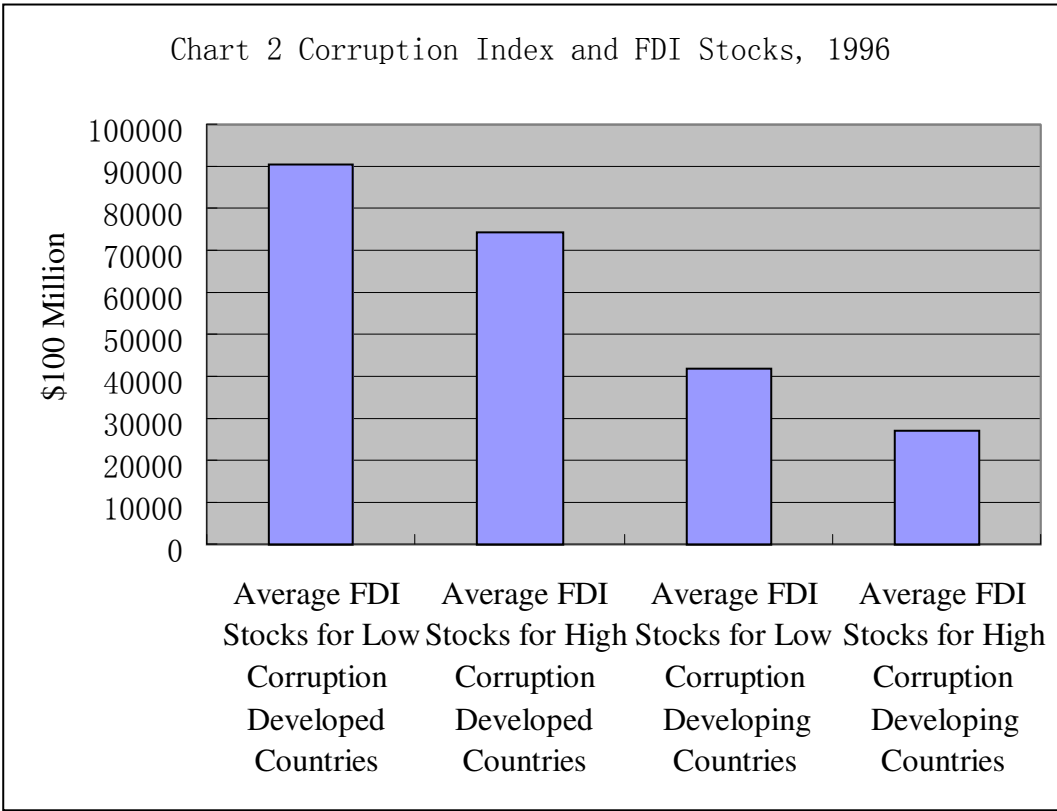


Chart 3 Infrastructure Ranking and FDI Stocks, 1996

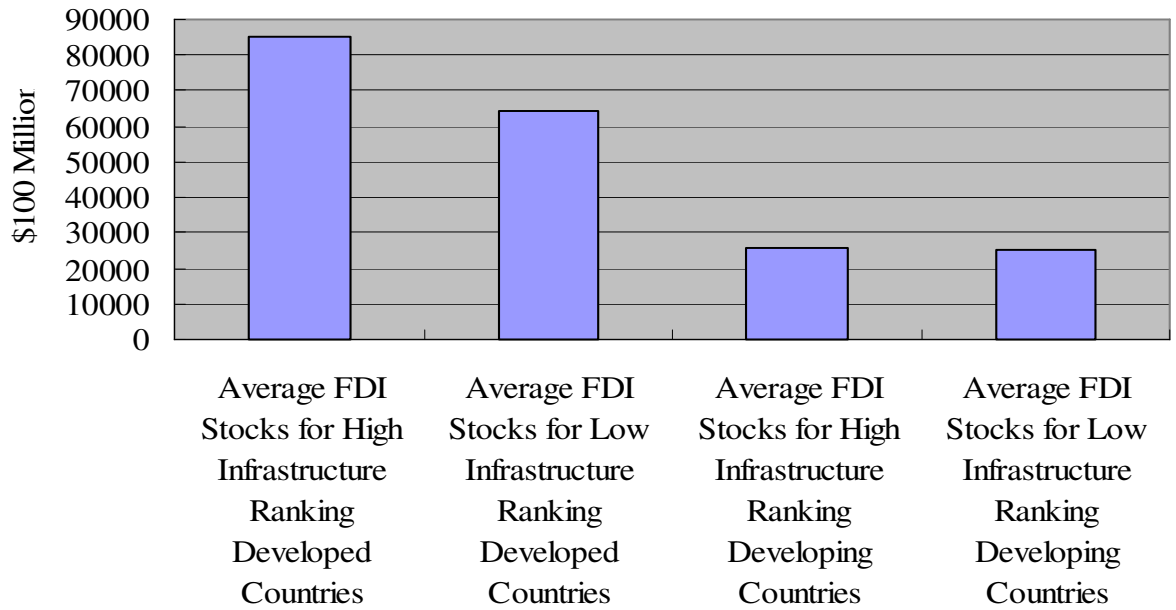


Table 1a. Simple Regressions with Separate Developing/Developed Tax Coefficients:
UNCTAD data

	(1)	(2)	(3)
Dependent Variable : Log of FDI Stock			
Constant	10.93*** (0.359)	11.62*** (0.391)	11.62*** (0.391)
Tax rate	-0.0188* (0.0102)	-0.00224 (0.0124)	-0.0410*** (0.0102)
Developing Dummy	-1.486*** (0.376)	-2.735*** (0.682)	-2.735*** (0.682)
Tax rate * Dummy (developing = 0)		-0.0388** (0.0161)	
Tax rate * Dummy (developed = 0)			0.0388** (0.0161)
Observations	918	918	918
R-squared	0.245	0.289	0.289

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 1b. Simple Regressions with Separate Developing/Developed Tax Coefficients:
UNCTAD data

	(1)	(2)	(3)
Dependent Variable : Log of FDI Stock			
Constant	11.25*** (0.284)	11.24*** (0.327)	11.24*** (0.327)
Corruption perception index	-0.0452 (0.0815)	-0.0574 (0.110)	-0.0392 (0.109)
Developing Dummy	-0.963** (0.448)	-0.870 (0.768)	-0.870 (0.768)
Corruption perception index * Dummy (developing = 0)		0.0182 (0.155)	
Corruption perception index * Dummy (developed = 0)			-0.0182 (0.155)
Observations	329	329	329
R-squared	0.217	0.218	0.218

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 1c. Simple Regressions with Separate Developing/Developed Tax Coefficients:
UNCTAD data

	(1)	(2)	(3)
Dependent Variable : Log of FDI Stock			
Constant	10.37*** (0.564)	10.33*** (0.685)	10.33*** (0.685)
Infrastructure Ranking	0.0225 (0.0155)	0.0185 (0.0186)	0.0237 (0.0193)
Developing Dummy	-0.169 (0.431)	-0.0775 (0.792)	-0.0775 (0.792)
Infrastructure Ranking * Dummy (developing = 0)		0.00519 (0.0268)	
Infrastructure Ranking * Dummy (developed = 0)			-0.00519 (0.0268)
Observations	259	259	259
R-squared	0.122	0.122	0.122

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Figure 1a:

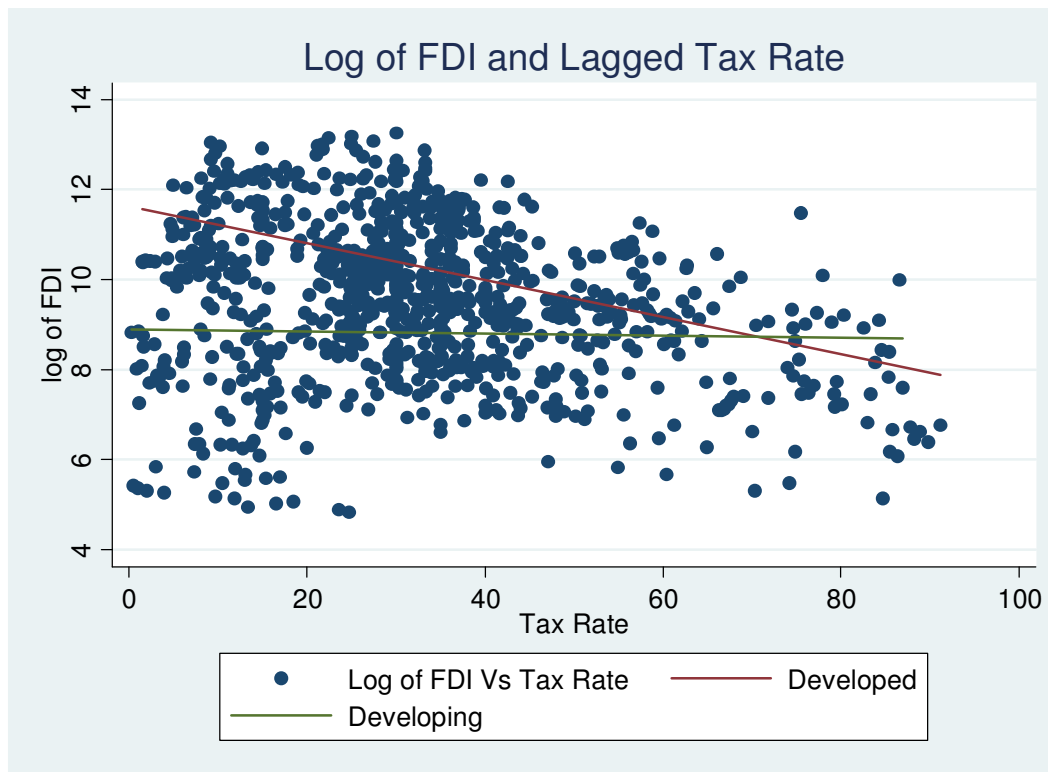


Figure 1b:

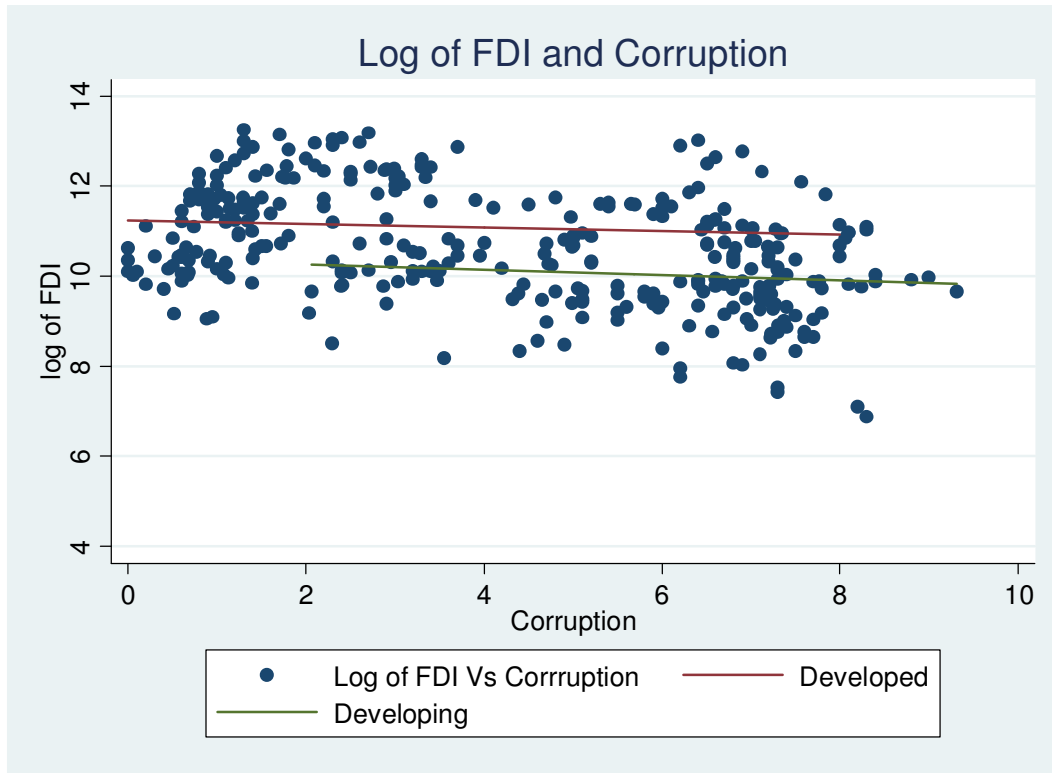


Figure 1c:

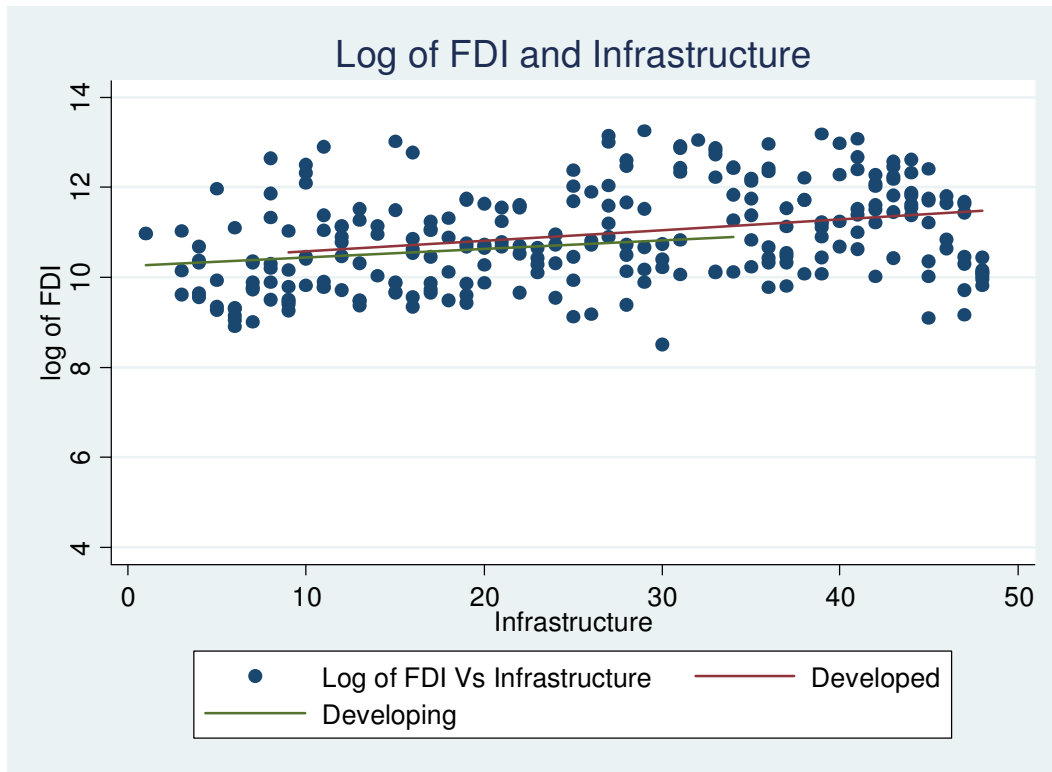


Table 2: Multiple Regressions with UNCTAD data

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent Variable: Log of FDI Stock						
Constant	10.58*** (0.606)	10.58*** (0.606)	10.42*** (0.444)	10.56*** (0.374)	9.281*** (0.554)	9.655*** (1.384)
Tax Rate	0.00870 (0.0139)	-0.0290*** (0.00873)				
Tax rate * Dummy (developing = 0)	-0.0377** (0.0158)					
Tax rate * Dummy (developed = 0)		0.0377** (0.0158)				
Corruption Perception Index Governance Measure			-0.0967 (0.0753)	-0.0192** (0.00903)		
Infrastructure Ranking					0.0253* (0.0130)	
Mainland telephone lines						-1.50e-05 (0.00243)
Developing Dummy	-2.736*** (0.641)	-2.736*** (0.641)	-0.686* (0.374)	-0.448 (0.306)	-0.0889 (0.328)	-1.651 (1.090)
Unemployment Rate	-0.0183 (0.0302)	-0.0183 (0.0302)	0.0366 (0.0287)	0.0373 (0.0274)	0.0299 (0.0271)	-0.0196 (0.0339)
Population	2.44e-05*** (6.13e-06)	2.44e-05*** (6.13e-06)	2.59e-05*** (5.34e-06)	1.85e-05*** (4.14e-06)	2.08e-05*** (4.25e-06)	2.51e-05*** (6.46e-06)
GDP	4.90e-07 (4.28e-07)	4.90e-07 (4.28e-07)	4.26e-07 (3.50e-07)	4.59e-07 (3.72e-07)	4.32e-07 (3.49e-07)	3.98e-07 (4.44e-07)
Lagged Exports	0.00304 (0.00855)	0.00304 (0.00855)	0.0140*** (0.00404)	0.0120*** (0.00394)	0.0142*** (0.00429)	0.00564 (0.00887)
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	716	716	293	238	238	716
R-squared	0.530	0.530	0.472	0.448	0.454	0.499

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 3: Testing for Different Developing/Developed Coefficients for Infrastructure Ranking and Governance Ranking with UNCTAD Aggregate Data

	(1)	(2)	(3)	(4)
Dependent Variable: Log of FDI Stock				
Constant	10.41*** (0.454)	10.41*** (0.454)	10.63*** (0.417)	10.63*** (0.417)
Infrastructure ranking	0.0250 (0.0153)	0.0265 (0.0185)		
Infrastructure * Dummy (developing = 0)	-0.0014 (0.0233)			
Infrastructure * Dummy (developed = 0)		0.0014 (0.0233)		
Governance measure			-0.0231* (0.0130)	-0.0120 (0.00921)
Governance * Dummy (developing = 0)			-0.0111 (0.0158)	
Governance * Dummy (developed = 0)				0.0111 (0.0158)
Developing Dummy	-0.114 (0.620)	-0.114 (0.620)	-0.731* (0.420)	-0.731* (0.420)
Unemployment Rate	0.0300 (0.0272)	0.0300 (0.0272)	0.0348 (0.0283)	0.0348 (0.0283)
Population	2.08e-05*** (4.32e-06)	2.08e-05*** (4.32e-06)	1.89e-05*** (4.00e-06)	1.89e-05*** (4.00e-06)
GDP	4.32e-07 (3.50e-07)	4.32e-07 (3.50e-07)	4.69e-07 (3.81e-07)	4.69e-07 (3.81e-07)
Lagged Exports	0.0142*** (0.00431)	0.0142*** (0.00431)	0.0119*** (0.00369)	0.0119*** (0.00369)
Year Dummies	Yes	Yes	Yes	Yes
Observations	238	238	238	238
R-squared	0.454	0.454	0.451	0.451

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 4a. Simple Regressions with Separate Developing/Developed Tax Coefficients: OECD bilateral data

	(1)	(2)	(3)
Dependent Variable : Log of FDI Stock			
Constant	9.135*** (0.227)	9.250*** (0.242)	9.250*** (0.242)
Tax rate	-0.0266*** (0.00396)	-0.0181*** (0.00628)	-0.0313*** (0.00499)
Developing Dummy	-1.476*** (0.129)	-1.823*** (0.264)	-1.823*** (0.264)
Tax rate * Dummy (developing = 0)		-0.0132* (0.00798)	
Tax rate * Dummy (developed = 0)			0.0132* (0.00798)
Source country dummy	Yes	Yes	Yes
Observations	4914	4914	4914
R-squared	0.575	0.576	0.576

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 4b. Simple Regressions with Separate Developing/Developed Corruption Coefficients: OECD bilateral data

	(1)	(2)	(3)
Dependent Variable : Log of FDI Stock			
Constant	8.743*** (0.218)	8.745*** (0.225)	8.745*** (0.225)
Corruption perception index	-0.0585 (0.0364)	-0.0542 (0.0632)	-0.0596 (0.0427)
Developing Dummy	-1.226*** (0.188)	-1.256*** (0.447)	-1.256*** (0.447)
Corruption perception index * Dummy (developing = 0)		-0.00536 (0.0762)	
Corruption perception index * Dummy (developed = 0)			0.00536 (0.0762)
Source country dummy	Yes	Yes	Yes
Observations	4181	4181	4181
R-squared	0.590	0.590	0.590

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 4c. Simple Regressions with Separate Developing/Developed Infrastructure Coefficients: OECD bilateral data

	(1)	(2)	(3)
Dependent Variable : Log of FDI Stock			
Constant	7.708*** (0.302)	7.644*** (0.336)	7.644*** (0.336)
Infrastructure Ranking	0.0245*** (0.00677)	0.0175* (0.0105)	0.0264*** (0.00809)
Developing Dummy	-0.721*** (0.188)	-0.568* (0.325)	-0.568* (0.325)
Infrastructure Ranking * Dummy (developing = 0)		0.00891 (0.0133)	
Infrastructure Ranking * Dummy (developed = 0)			-0.00891 (0.0133)
Source country dummy	Yes	Yes	Yes
Observations	3735	3735	3735
R-squared	0.605	0.605	0.605

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 5: Multiple Regressions with OECD Bilateral Data

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent Variable: Log of FDI Stock						
Constant	8.009*** (0.276)	8.009*** (0.276)	8.038*** (0.239)	7.722*** (0.234)	7.008*** (0.340)	6.025*** (0.454)
Tax Rate	-0.00606 (0.00873)	-0.0364*** (0.00592)				
Tax rate * Dummy (developing = 0)	-0.0304*** (0.0103)					
Tax rate * Dummy (developed = 0)		-0.0304*** (0.0103)				
Corruption Perception Index			-0.0674** (0.0340)			
Governance Measure				-0.0181*** (0.00490)		
Infrastructure Ranking					0.0161** (0.00695)	
Mainland telephone lines						0.00212*** (0.000765)
Developing Dummy	-1.705*** (0.332)	-1.705*** (0.332)	-0.627*** (0.185)	-0.506*** (0.160)	-0.354* (0.187)	-0.107 (0.330)
Unemployment Rate	0.0196 (0.0134)	0.0196 (0.0134)	-0.00360 (0.0143)	0.0117 (0.0160)	-0.00527 (0.0144)	0.00728 (0.0134)
Population	6.14e-06** (2.92e-06)	6.14e-06** (2.92e-06)	6.53e-06** (2.89e-06)	3.98e-06 (2.89e-06)	5.20e-06* (2.95e-06)	7.92e-06*** (2.92e-06)
GDP	-4.83e-07*** (1.21e-07)	-4.83e- 07*** (1.21e-07)	-7.11e- 07*** (1.21e-07)	-6.82e- 07*** (1.32e-07)	-6.96e- 07*** (1.31e-07)	-6.58e- 07*** (1.15e-07)
Lagged Exports	7.30e-06*** (7.19e-07)	7.30e-06*** (7.19e-07)	7.72e-06*** (7.34e-07)	7.70e-06*** (7.39e-07)	7.40e-06*** (7.67e-07)	7.51e-06*** (7.38e-07)
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Source Country Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4448	4448	3834	3457	3457	4448
R-squared	0.641	0.641	0.648	0.657	0.655	0.633

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 6: Testing for Different Developing/Developed Coefficients for Corruption and Governance Measures with OECD Bilateral Data

	(1)	(2)	(3)	(4)
Dependent Variable: Log of FDI Stock				
Constant	8.052*** (0.246)	8.052*** (0.246)	7.880*** (0.254)	7.880*** (0.254)
Corruption Perception Index	-0.0743* (0.0385)	-0.0399 (0.0658)		
CPI * Dummy (developing = 0)	-0.0344 (0.0747)			
CPI * Dummy (developed = 0)		0.0344 (0.0747)		
Governance measure			-0.0236*** (0.00602)	-0.00525 (0.00712)
Governance * Dummy (developing = 0)			-0.0184** (0.00892)	
Governance * Dummy (developed = 0)				0.0184** (0.00892)
Developing Dummy	-0.816* (0.454)	-0.816* (0.454)	-0.962*** (0.274)	-0.962*** (0.274)
Unemployment Rate	-0.00367 (0.0143)	-0.00367 (0.0143)	0.00796 (0.0162)	0.00796 (0.0162)
Population	6.36e-06** (2.90e-06)	6.36e-06** (2.90e-06)	4.44e-06 (2.89e-06)	4.44e-06 (2.89e-06)
GDP	-7.09e-07*** (1.21e-07)	-7.09e-07*** (1.21e-07)	-6.78e-07*** (1.32e-07)	-6.78e-07*** (1.32e-07)
Lagged Exports	7.73e-06*** (7.34e-07)	7.73e-06*** (7.34e-07)	7.80e-06*** (7.43e-07)	7.80e-06*** (7.43e-07)
Year Dummies	Yes	Yes	Yes	Yes
Source Country Dummy	Yes	Yes	Yes	Yes
Observations	3834	3834	3457	3457
R-squared	0.648	0.648	0.658	0.658

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7: Testing for Different Developing/Developed Coefficients for Infrastructure Ranking and Mainland Telephone Lines with OECD Bilateral Data

	(1)	(2)	(3)	(4)
Dependent Variable: Log of FDI Stock				
Constant	6.930*** (0.358)	6.930*** (0.358)	6.077*** (0.530)	6.077*** (0.530)
Infrastructure ranking	0.0187** (0.00796)	0.00432 (0.0115)		
Infrastructure ranking * Dummy (developing = 0)	0.0144 (0.0137)			
Infrastructure ranking * Dummy (developed = 0)		-0.0144 (0.0137)		
Telephone mainline			0.00204** (0.000890)	0.00238* (0.00138)
Telephone mainline* Dummy (developing = 0)			-0.000346 (0.00161)	
Telephone mainline* Dummy (developed = 0)				0.000346 (0.00161)
Developing Dummy	-0.101 (0.322)	-0.101 (0.322)	-0.188 (0.509)	-0.188 (0.509)
Unemployment Rate	-0.00602 (0.0145)	-0.00602 (0.0145)	0.00643 (0.0137)	0.00643 (0.0137)
Population	4.84e-06 (2.95e-06)	4.84e-06 (2.95e-06)	8.02e-06*** (2.93e-06)	8.02e-06*** (2.93e-06)
GDP	-6.92e-07*** (1.32e-07)	-6.92e-07*** (1.32e-07)	-6.60e-07*** (1.16e-07)	-6.60e-07*** (1.16e-07)
Lagged Exports	7.39e-06*** (7.69e-07)	7.39e-06*** (7.69e-07)	7.53e-06*** (7.46e-07)	7.53e-06*** (7.46e-07)
Year Dummies	Yes	Yes	Yes	Yes
Source Country Dummy	Yes	Yes	Yes	Yes
Observations	3457	3457	4448	4448
R-squared	0.655	0.655	0.633	0.633

Clustered and robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix

Table A-1: Countries and missing data⁵

Corruption Index 1995-2002	Infrastructure Index 1996-2002
1 Argentina	1 Argentina
2 Australia	2 Australia
3 Austria	3 Austria
4 Belgium	4 Belgium
5 Brazil	5 Brazil
6 Canada	6 Canada
7 Chile	7 Chile
8 China	8 China
9 Colombia	9 Colombia
10 Costa Rica ⁶	
11 Denmark	10 Denmark
12 Ecuador ⁷	
13 Egypt ⁷	
14 Finland	11 Finland
15 France	12 France
16 Germany	13 Germany
17 Greece	14 Greece
18 Guatemala ⁸	
19 Honduras ⁸	
20 Hong Kong	15 Hong Kong
21 Indonesia	16 Indonesia
22 Ireland	17 Ireland
23 Israel ⁹	18 Israel
24 Italy	19 Italy
25 Jamaica ¹⁰	
26 Japan	20 Japan
	21 Korea, Republic
27 Luxembourg ⁶	22 Luxembourg
28 Malaysia	23 Malaysia
29 Mexico	24 Mexico
30 Netherlands	25 Netherlands
31 New Zealand	26 New Zealand
32 Nigeria ⁹	
33 Norway	27 Norway
34 Panama ¹¹	
35 Peru ⁷	
36 Philippines	28 Philippines
37 Portugal	29 Portugal
38 South Africa	30 South Africa
39 Spain	31 Spain
40 Sweden	32 Sweden
41 Switzerland	33 Switzerland
42 Thailand	34 Thailand
43 Trinidad and Tobago ¹¹	
44 Turkey	35 Turkey
45 United Kingdom	36 United Kingdom
46 Venezuela ⁹	37 Venezuela

⁵ Stocks of FDI are missing for Belgium and Luxembourg, therefore were not included in the tables above.

⁶ CPI is missing for 1995-1996.

⁷ CPI is missing for 1995-1997.

⁸ CPI is missing for 1995-1997, and 2000.

⁹ CPI is missing for 1995.

¹⁰ CPI is missing for 1995-1997, 2000-2001.

¹¹ CPI is missing for 1995-2000.

Table A-2
Data Sources

Variable	Further explanation	Source	Years
FDI ¹²	See footnote	UNCTAD; Bilateral OECD Data	1984-2002
Population	In 10,000s	World Development Indicator (WDI) 2006	1984-2002
GDP	In Current Dollars	World Development Indicator (WDI) 2006	1984-2002
Exports	Goods and services	World Bank	1984-2002
Tax Rate	The minimum of the BEA tax rate and statutory tax rate, where BEA tax rate= foreign income taxes/(foreign income tax + net income) of all affiliates for U.S. firms operating abroad in each country and year	Calculated with data from Bureau of Economic Analysis (BEA) and OTPR for statutory rate	1984-2002
Corruption Perception Index	Ranges from 0-10, with 10 denoting least corrupt	Transparency International	1995-2002
Government efficiency ranking	Broad ranking based on information from five areas: public finance, fiscal policy, institutional framework, business legislation, and societal framework.	IMD World Competitiveness Yearbook	1995-2002
Infrastructure Ranking	Broad ranking based on several factors including basic infrastructure (roads, other transportation infrastructure, health infrastructure, and others), technological infrastructure (telecommunications, computers, and so forth), energy self-sufficiency, and environmental infrastructure (waste treatment, etc).	IMD World Competitiveness Yearbook	1996-2002
Mainland telephone lines	Telephone lines connecting a customer's equipment to the public switched telephone network per 1,000 people.	World Development Indicator (WDI) 2006	1996-2002
Unemployment Rate	Total unemployment rate, % of total unemployed in total labor force	World Development Indicator (WDI) 2006	1984-2002

¹² According to the UNCTAD definition, for associate and subsidiary enterprises, FDI stock is the value of the share of their capital and reserves (including retained profits) attributable to the parent enterprise (this is equal to total assets minus total liabilities), plus the net indebtedness of the associate or subsidiary to the parent firm. For branches, it is the value of fixed assets and the value of current assets and investments, excluding amounts due from the parent, less liabilities to third parties.

Table A-3 Summary of statistics

UNCTAD data set

Variable	Obs	Mean	Std. Dev.
FDI Stock	969	42430.38	74279.24
Tax Rate	1007	31.52903	18.2782
Corruption Perception Index	343	4.220554	2.577954
Infrastructure Ranking	273	26.29304	13.40086
Governance Ranking	273	23.19048	13.32651
Telephone Mainlines	1007	273.5347	215.6992
Unemployment	842	7.973207	4.974676
Population	1007	6985.851	19774.57
GDP	1007	290353.3	599011.1
Export	984	73329.61	107567.1

OECD Bilateral Data Set

Variable	Obs	Mean	Std. Dev.
FDI Stock	5582	2557.27	8833.967
Tax Rate	12636	25.0294	12.77879
Corruption Perception Index	9002	4.138559	2.549291
Infrastructure Ranking	7280	26.54478	13.32807
Governance Ranking	7280	22.88874	13.35082
Telephone Mainlines	12636	330.1788	223.8394
Unemployment	11320	7.83794	4.455859
Population	12636	7528.506	21677.46
GDP	12636	371879.8	713188.7
Export	12272	101687.3	130677.9

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