Table 5 Business Environment in Selected Countries

host country	gdppc96	grow9094	corporati tax	corruptio gcr97[1]	corruptio gcr98	corruptio TI index	Regulator Burden	capital control	interest rate
Canada	19370	0.05	38	1.7	1.56	0.8	3.44	1	2.31
China	**631**	**0.47**	**30**	**4.1**	**4.82**	**6.5**	**4.58**	**11**	**6.01**
Colombia	2092	0.17	35	5.1	4.87	7.8	4.79	10	3.41
France	26692	0.03	33	2.6	2.18	3.3	4.97	4	2.91
Germany	29869	.	45	2	1.61	2.1	4.33	2	1.95
Hong Kong	23054	0.22	16.5	1.8	3.88	2.2	2.15	0	2.65
India	**413**	**0.18**	**40**	**5.1**	**5.21**	**7.1**	**5.1**	**12**	**4.45**
Indonesia	1105	0.30	30	5.5	5.93	8	5.27	9	3.87
Japan	42295	0.06	37.5	2.2	2.00	4.2	4.62	3	3.64
Korea	10728	0.28	30	4.3	4.00	5.8	4.96	10	4.27
Malaysia	4488	0.33	30	4	3.67	4.7	3.63	11	4.15
Mexico	3245	0.14	34	4.4	4.22	6.7	4.67	8	3.56
Philippines	1092	0.06	35	5.5	5.65	6.7	4.1	9	2.58
Russia	2271	-0.43	38	5.3	5.05	7.6	4.8	10	4.37
Singapore	29894	0.33	26	1.6	1.56	0.9	2.08	1	2.96
Taiwan	12861	0.26	25	3.3	2.62	5.3	3.34	.	2.84
Thailand	2957	0.33	30	5.5	4.42	7	4.25	9	4.83
United Kingdom	19263	0.04	24	1.5	1.47	1.3	2.89	1	2.5
United States	27471	0.08	35	1.9	1.74	2.5	3.78	3	2.16

1. The one used in regressions.
2. Sources: GDP, GDP per capita from World Bank/WDI; others from GCR

Table 6: China as a FDI as Compared With Its Potential

Dependent variable log of FDI stock[1]	Fixed[4] effects OLS	Fixed[4] effects Tobit	Random[5] effects	Fixed effects OLS	Fixed effects Tobit	Random effects
China				-1.021** (0.461)	-1.070** (0.543)	-1.522* (0.821)
India				-1.018** (0.472)	-1.421** (0.548)	-1.184# (0.803)
log (GDP)[2]	0.829** (0.052)	0.961** (0.060)	0.909** (0.084)	0.885** (0.056)	1.023** (0.064)	0.978** (0.092)
log (Per Capita GDP)[2]	0.209** (0.056)	0.144** (0.065)	0.134# (0.092)	0.095 (0.070)	0.010 (0.080)	0.000 (0.113)
log (distance)	-0.654** (0.072)	-0.835** (0.084)	-0.930** (0.076)	-0.692** (0.073)	-0.876** (0.085)	-0.961** (0.076)
linguistic tie	1.609** (0.220)	1.910** (0.258)	1.091** (0.202)	1.626** (0.220)	1.938** (0.258)	1.068** (0.201)
lagged growth rate	0.536# (0.368)	0.981** (0.430)	1.297** (0.582)	0.844** (0.388)	1.306** (0.451)	1.674** (0.625)
corporate tax rate	-0.037** (0.009)	-0.029** (0.010)	-0.036** (0.014)	-0.038** (0.009)	-0.028** (0.010)	-0.037** (0.015)
No. of Obs.	580	620	580	580	620	580
R2[6]	0.72	0.26	0.72	0.72	0.26	0.73

**5% significant, *10% significant, #15% significant. Standard errors in parentheses.
1. FDI stock: average of FDI stock 94-96.
2. GDP = average GDP 94-96 if dependent variable is log FDI stock;
GDP = average GDP 90-95 if dependent variable is log FDI flow.
3. Log(GDP94)-log(GDP90) if dependent variable is log FDI stock;
Log(GDP90)-log(GDP85) if dependent variable is log FDI flow;
4. Y(i,j) = a(i) + BX(i,j) + e(i, j), where i is source index and j is host index.
All regressions include a source country dummy. Not reported to save space.
5. Y(i,j) = source dummy + BX(i,j) + e(i, j)
6. Adjusted R2 for fixed effects, overall R2 for random effect, and psedo R2 for tobit.

Table 7: Adding Public Policies and Public Institutions

Dependent variable log of FDI stock	Fixed effect OLS	Fixed effect Tobit	Random effect	Fixed effect OLS	Fixed effect Tobit	Random effect
China				-1.314**	-1.660**	-1.458#
				(0.508)	(0.593)	(0.894)
India				-1.567**	-2.034**	-1.580**
				(0.458)	(0.528)	(0.786)
log (GDP)	1.022**	1.155**	1.108**	1.086**	1.230**	1.169**
	(0.059)	(0.068)	(0.094)	(0.061)	(0.069)	(0.100)
log (Per Capita GDP)	-0.043	-0.140	-0.037	-0.282**	-0.441**	-0.257
	(0.100)	(0.115)	(0.159)	(0.118)	(0.136)	(0.190)
log (distance)	-0.780**	-0.950**	-1.003**	-0.812**	-0.985**	-1.021**
	(0.077)	(0.089)	(0.078)	(0.076)	(0.088)	(0.078)
linguistic tie	1.313**	1.592**	0.994**	1.305**	1.579**	0.979**
	(0.219)	(0.256)	(0.204)	(0.219)	(0.254)	(0.203)
lagged growth rate	0.446	0.693#	1.008*	0.763**	1.083**	1.327**
	(0.373)	(0.433)	(0.611)	(0.382)	(0.442)	(0.645)
corporate tax rate	-0.028**	-0.018*	-0.028*	-0.027**	-0.017*	-0.027*
	(0.009)	(0.010)	(0.015)	(0.009)	(0.010)	(0.015)
corruption	-0.050	-0.058	-0.031	-0.146*	-0.174*	-0.112
	(0.081)	(0.094)	(0.128)	(0.087)	(0.099)	(0.138)
administrative regulations	-0.302**	-0.374**	-0.283#	-0.317**	-0.395**	-0.315#
	(0.113)	(0.131)	(0.189)	(0.112)	(0.129)	(0.195)
capital controls	0.008	-0.029	0.017	-0.006	-0.048#	0.005
	(0.027)	(0.031)	(0.043)	(0.027)	(0.031)	(0.045)
interest rate control	-0.391**	-0.289**	-0.457**	-0.309**	-0.186#	-0.367**
	(0.102)	(0.118)	(0.167)	(0.111)	(0.128)	(0.187)
OECD	-0.647**	-0.771**	-0.894**	-0.594**	-0.694**	-0.810**
	(0.190)	(0.219)	(0.294)	(0.189)	(0.218)	(0.305)
No. of Obs.	570	608	570	570	608	570
R2	0.75	0.28	0.76	0.75	0.28	0.76

Table 8: Inflow of FDI

Dependent variable log of FDI flow	Fixed effect OLS	Fixed effect Tobit	Random effect	Fixed effect OLS	Fixed effect Tobit	Random effect
China				-1.325# (0.830)	-1.636# (0.993)	-0.949 (1.310)
India				-2.068** (0.680)	-2.400** (0.813)	-1.715# (1.120)
log (GDP)	0.791** (0.083)	0.951** (0.097)	0.870** (0.142)	0.851** (0.084)	1.017** (0.099)	0.925** (0.150)
log (Per Capita GDP)	-0.026 (0.160)	-0.235 (0.188)	-0.067 (0.244)	-0.373* (0.204)	-0.646** (0.240)	-0.298 (0.303)
log (distance)	-0.865** (0.100)	-0.955** (0.118)	-0.868** (0.102)	-0.876** (0.099)	-0.965** (0.116)	-0.872** (0.102)
linguistic tie	0.897** (0.273)	1.017** (0.321)	0.828** (0.263)	0.964** (0.273)	1.080** (0.321)	0.841** (0.264)
lagged growth	1.044 (0.840)	1.986** (0.998)	1.196 (1.371)	1.150 (0.830)	2.102** (0.984)	1.325 (1.397)
corporate tax rate	-0.020* (0.011)	-0.026* (0.014)	-0.031# (0.020)	-0.020* (0.011)	-0.025* (0.013)	-0.030# (0.021)
corruption	-0.061 (0.128)	0.060 (0.151)	0.009 (0.199)	-0.227# (0.145)	-0.139 (0.172)	-0.077 (0.218)
administrative regulations	-0.234# (0.160)	-0.342* (0.190)	-0.230 (0.282)	-0.169 (0.159)	-0.265 (0.189)	-0.226 (0.288)
capital controls	0.027 (0.041)	-0.032 (0.048)	0.016 (0.064)	-0.001 (0.042)	-0.067 (0.049)	0.001 (0.067)
interest rate control	-0.242* (0.147)	-0.349** (0.174)	-0.311 (0.244)	-0.178 (0.159)	-0.264 (0.189)	-0.268 (0.274)
OECD	-0.728** (0.288)	-0.607* (0.338)	-0.687# (0.426)	-0.747** (0.284)	-0.622* (0.332)	-0.663# (0.433)
No. of Obs.	267	274	267	267	274	267
R2	0.66	0.21	0.69	0.67	0.22	0.70

Table 9: Hong Kong Connection for FDI Stock

Dependent variable log of FDI stock	Fixed effects	Fixed effects	Random effects

	OLS	Tobit	
China	0.087	-0.650	-0.056
	(0.518)	(0.604)	(0.917)
India	-1.542**	-2.018**	-1.567*
	(0.461)	(0.538)	(0.803)
log (GDP)	1.087**	1.233**	1.173**
	(0.061)	(0.071)	(0.102)
log (Per Capita GDP)	-0.287**	-0.442**	-0.261
	(0.119)	(0.138)	(0.193)
log (distance)	-0.818**	-0.971**	-1.039**
	(0.077)	(0.090)	(0.079)
linguistic tie	1.239**	1.554**	0.882**
	(0.224)	(0.263)	(0.208)
lagged growth rate	0.742*	1.039**	1.348**
	(0.387)	(0.452)	(0.661)
corporate tax rate	-0.029**	-0.018*	-0.028*
	(0.009)	(0.010)	(0.016)
corruption	-0.147*	-0.179*	-0.115
	(0.087)	(0.101)	(0.140)
administrative regulations	-0.328**	-0.409**	-0.316#
	(0.115)	(0.134)	(0.203)
capital controls	-0.010	-0.051#	0.005
	(0.028)	(0.033)	(0.048)
interest rate control	-0.299**	-0.174	-0.367*
	(0.113)	(0.132)	(0.194)
OECD	-0.623**	-0.705**	-0.830**
	(0.194)	(0.227)	(0.320)
No. of Obs.	555	593	555
R2	0.75	0.28	0.76

Table 10: Hong Kong Connection for FDI Flow

Dependent variable log of FDI flow	Fixed effect OLS	Fixed effect Tobit	Random effect	Fixed effect OLS	Fixed effect Tobit	Random effect
China	-0.615	-0.678	-0.345	-0.339	-0.672	0.024

	(0.705)	(0.745)	(1.029)	(0.828)	(0.992)	(1.327)
India	-0.971*	-1.041*	-0.758	-2.058**	-2.416**	-1.696#
	(0.588)	(0.621)	(0.878)	(0.677)	(0.810)	(1.132)
log (FDI90)	0.487**	0.495**	0.498**			
	(0.051)	(0.054)	(0.053)			
log (GDP)	0.263**	0.298**	0.286**	0.855**	1.021**	0.936**
	(0.094)	(0.100)	(0.134)	(0.084)	(0.098)	(0.151)
log (Per Capita GDP)	-0.223	-0.442**	-0.202	-0.376*	-0.657**	-0.305
	(0.174)	(0.181)	(0.241)	(0.203)	(0.239)	(0.305)
log (distance)	-0.480**	-0.438**	-0.446**	-0.883**	-0.961**	-0.889**
	(0.095)	(0.100)	(0.099)	(0.099)	(0.116)	(0.102)
linguistic tie	0.221	0.009	0.203	0.856**	0.957**	0.682**
	(0.245)	(0.258)	(0.236)	(0.277)	(0.325)	(0.266)
lagged growth	-0.314	-0.203	-0.358	1.183	2.056**	1.320
	(0.738)	(0.779)	(1.113)	(0.835)	(0.993)	(1.425)
corporate tax rate	-0.005	-0.010	-0.010	-0.021*	-0.026*	-0.031#
	(0.010)	(0.010)	(0.016)	(0.011)	(0.014)	(0.021)
corruption	-0.220*	-0.196#	-0.105	-0.239*	-0.161	-0.094
	(0.124)	(0.131)	(0.173)	(0.145)	(0.172)	(0.220)
administrative regulations	-0.122	-0.144	-0.194	-0.190	-0.277#	-0.246
	(0.138)	(0.146)	(0.227)	(0.161)	(0.191)	(0.297)
capital controls	0.053	0.016	0.052	-0.008	-0.072	-0.003
	(0.037)	(0.039)	(0.055)	(0.043)	(0.051)	(0.071)
interest rate control	0.159	0.062	0.111	-0.155	-0.242	-0.250
	(0.142)	(0.149)	(0.219)	(0.160)	(0.190)	(0.280)
OECD	-0.008	0.217	0.171	-0.808**	-0.662*	-0.725#
	(0.264)	(0.277)	(0.363)	(0.289)	(0.339)	(0.445)
No. of Obs.	252	253	252	259	266	259
R2	0.75	0.30	0.77	0.68	0.23	0.70
Breusch and Pagan test p-value			0.00			0
Hausman specification test p-value			1.00			0.29